

CATERPILLAR®



COMMON
ground

STRENGTHS WE SHARE AROUND THE WORLD

2013 YEAR IN REVIEW

COMMON ground

Strengths We Share Around the World



Quality that Sets World-Class Standards

We've built a global reputation for quality products that help keep our customers working day in and day out. It's the basis of our value proposition to them and why they stand to be more profitable with a Cat product than with one from our competition. Read more on page 9.



A Network that Always Has Our Back

Throughout our history, the relationship between Caterpillar and our vast independent dealer network has been a critical competitive differentiator for our business. Today, this relationship is continuing to evolve to ensure that we provide our customers with the support they need. Read more on page 16.



Markets that Make the World Go 'Round

Cat® products and solutions help perform all types of jobs around the world, from constructing roads and airports to mining commodities to powering ships and towns. It's hard to think of a business that serves more essential end markets and customers. Read more on page 22.



Better Ways to Do a Better Job

The Caterpillar Production System (CPS) provides our global manufacturing operations with a common platform to achieve consistent quality and cost around the world. Now, the Caterpillar Enterprise System Group is helping us engineer a new end-to-end Lean value chain. Read more on page 29.



A Plan to Point Us in the Right Direction

Our Vision 2020 strategy keeps us focused on our customers and committed to our Business Model. When we stick to our Enterprise Strategy, Caterpillar and our customers win. Read more on page 35.



Good Deeds that Serve the Greater Good

We manufacture heavy equipment and we wear hard hats, but we also have a much softer side as evidenced by the generosity of our people. Around the world, Caterpillar and our people give back to the communities where we live and work. Our legal team is a great example. Read more on page 40.



Long-Term Fundamentals that Go the Distance

Our brands stand for it, our products are built for it and our business is managed for it. We're talking about solid long-term business fundamentals, and there's no better example than our participation in the mining sector. Read more on page 46.

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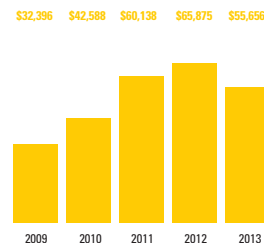


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CATERPILLAR®

“The strengths we share – our **common ground** – remain Our Values in Action.”

DOUG OBERHELMAN, CHAIRMAN & CEO



From Left to Right: Jim Buda, Law and Public Policy; Steve Wunning, Resource Industries; Stu Levenick, Customer & Dealer Support; Doug Oberhelman, Chairman & CEO; Brad Halverson, Financial Products & Corporate Services; Jim Umpleby, Energy & Power Systems; Dave Bozeman, Caterpillar Enterprise System Group; Ed Rapp, Construction Industries

Chairman's Message

In uncertain times, it is the shared strengths and resolve of a community that determine the course of history. This is true whether it be a family, a country or a company. And for us, the people of Caterpillar, the strengths we share – our common ground – remain Our Values in Action.

Certainly, we'll all remember 2013 as a challenging year. But it was a time of solid accomplishments as well, and right at the top of the list is the performance by our people resulting in the strongest balance sheet we've had in more than 25 years. Despite a sales and revenues decline of about \$10 billion, we set a record for Machinery and Power Systems (M&PS) operating cash flow, strengthened our balance sheet and improved our overall market position for machines, including strong gains for excavators in China – all outstanding successes. But getting here wasn't fun. And it wasn't easy, especially for our employees who endured an incredibly tough year.

The good news is our performance in 2013 demonstrated the balance in our business that helped us withstand divergent economic cycles. In a year overshadowed by a substantial decline in sales of relatively high margin mining products, our largest segment, Power Systems, delivered

profit near its 2012 record despite lower sales. In addition, our Financial Products segment achieved a record profit. So while we saw a top line sales decline in 2013 – and nobody likes that, especially me – the performance of our people and the balance in our business helped us reduce the profit impact of lower sales.

So what does our 2013 performance mean? Well, a strong balance sheet means we can weather a storm and grow the company, and of course it affords returns to shareholders. We recently announced a new \$10 billion stock repurchase program – an indicator of our confidence in the long-term future of Caterpillar. Our increased market share around the world results in thousands more machines in the field, affording our dealer network the opportunity to sell more parts and service. That's a tremendous accomplishment.

25 YEARS

Strongest balance sheet in 25 years

From an operational perspective, we have continued to make improvements in safety and quality. This is something I'm particularly proud of. We've been on a safety journey for nearly 15 years now. Since 2001, we've moved from the bottom in the rankings of safe places to work, to being a global leader in safety. We remain vigilant about safety and our ultimate goal is zero injuries. Likewise, quality is absolutely essential to living our brand promise. Our products are built to last, and through our disciplined execution of Lean and leveraging our Caterpillar Production System (CPS), we are holding ourselves accountable to that standard. It's working. Nearly every day, I hear from dealers and customers who say we have the best product line we've had in decades.

Of course, with these successes comes responsibility. I'm very pleased to announce that in early 2014, we added Sustainability to Our Values in Action, clearly stating our responsibility to produce sustainable solutions. Raising sustainability to a stand-alone value acknowledges both what we have done in the past and will do in the future.

For instance, our new Tier 4 designs promise customers better fuel efficiency and productivity, allowing them to leave a smaller environmental footprint. It's important to the world, it's important to our customers and it's important to us. We think about it every day. Another example is our Reman – remanufactured parts – business, where we return end-of-life components to like-new condition. This business reduces waste in landfills and minimizes the need for raw materials to produce new parts by keeping nonrenewable resources in circulation longer. At the same time, remanufacturing allows us to provide cost-effective options for our customers.

Our commitment to sustainability extends beyond helping protect the environment. We also recognize an obligation to our people and the communities where we live and work. This isn't something new. The Caterpillar Foundation has been around since 1952, and has invested more than \$550 million to provide support for not only environmental sustainability, but also access to education, basic human needs and emergency relief. It's a legacy we can all be proud of.

“We’ve made good progress over the past few years in our operational performance – safety, quality, market share and costs.”

What will 2014 hold for Caterpillar? We see some signs of improvement in the world economy and anticipate 2014 sales and revenues will be similar to 2013. Although there's a lot of uncertainty in the industries we serve, especially mining, I feel optimistic. We've made good progress over the past few years in our operational performance – safety, quality, market share and costs – and I'm confident that we are well-positioned for much better financial results when economic conditions and the key industries we serve improve. Despite the challenges that may lay ahead, the successes we achieved in 2013 and the commitment of our people will serve us well in 2014 and beyond.



Doug Oberhelman
Caterpillar Inc. Chairman & CEO



From Left to Right: Ed Rapp, Construction Industries; Jim Umpleby, Energy & Power Systems; Doug Oberhelman, Chairman & CEO; Brad Halverson, Financial Products & Corporate Services; Dave Bozeman, Caterpillar Enterprise System Group; Steve Wunning, Resource Industries; Jim Buda, Law and Public Policy; Stu Levenick, Customer & Dealer Support

Executive Officers

Douglas R. Oberhelman **Chairman & Chief Executive Officer**

Doug Oberhelman joined Caterpillar in 1975 and was elected a vice president in 1995. In 2001, he was elected a group president and became a member of Caterpillar's Executive Office. In October 2009, the Caterpillar Board of Directors named Oberhelman vice chairman and CEO-elect. During this time, he led a team that developed the future strategic plan for the company. Oberhelman was elected chief executive officer and a member of the Board of Directors effective July 1, 2010, and became chairman effective November 1, 2010.

David P. Bozeman **Senior Vice President**

Dave Bozeman is a senior vice president with responsibility for the Caterpillar Enterprise System Group. The new order-to-delivery organization was formed in 2013 and brings together critical processes and support groups to further improve our manufacturing and supply chain capabilities worldwide. Bozeman joined Caterpillar in 2008.

James B. Buda **Executive Vice President, Law and Public Policy & Chief Legal Officer**

Jim Buda is an executive vice president with responsibility for the Law and Public Policy Division at Caterpillar Inc., which includes the Legal Services and Global Government & Corporate Affairs Divisions. Buda is also chief legal officer of Caterpillar Inc. and joined the company in 1987.

Bradley M. Halverson **Group President & Chief Financial Officer**

Brad Halverson is a group president with responsibility for Caterpillar's Financial Products Division and Corporate Services, which includes the Finance Services, Human Services, Global Information Services and Strategic Services Divisions, as well as Corporate Accounting. Halverson is also chief financial officer of Caterpillar Inc. and joined the company in 1988.

Stuart L. Levenick
Group President

Stu Levenick is a group president with responsibility for Customer & Dealer Support at Caterpillar Inc., which includes the Europe/Africa/Middle East, Americas and Asia Pacific Distribution, Remanufacturing, Components & Work Tools and Customer Services Support Divisions. Levenick joined Caterpillar in 1977.

Edward J. Rapp
Group President

Ed Rapp is a group president with responsibility for Construction Industries at Caterpillar Inc., which includes the Earthmoving, Excavation, Building Construction Products, China Operations, Europe/South America Operations and Global Construction & Infrastructure Divisions. He is currently located in Singapore. Rapp joined Caterpillar in 1979.

D. James Umpleby, III
Group President

Jim Umpleby is a group president with responsibility for Energy & Power Systems at Caterpillar Inc., which includes the Marine & Petroleum Power, Electric Power, Industrial Power Systems and Large Power Systems Divisions, Progress Rail Services and Solar Turbines. Umpleby joined Solar Turbines Inc., a wholly-owned subsidiary of Caterpillar Inc. based in San Diego, in 1980.

Steven H. Wunning
Group President

Steve Wunning is a group president with responsibility for Resource Industries at Caterpillar Inc., which includes the Advanced Components & Systems, Diversified Products, Integrated Manufacturing Operations, Mining Sales & Support, Mining Products and Product Development & Global Technology Divisions. Wunning joined Caterpillar in 1973.

Officers

**Chairman of the Board
& Chief Executive Officer**

Douglas R. Oberhelman

Group Presidents

Bradley M. Halverson

Stuart L. Levenick

Edward J. Rapp

D. James Umpleby, III

Steven H. Wunning

**Executive Vice President,
Law and Public Policy &
Chief Legal Officer**

James B. Buda

Senior Vice President

David P. Bozeman

Vice Presidents

Kent M. Adams

William P. Ainsworth

Mary H. Bell

Thomas J. Bluth

Robert B. Charter

Qihua Chen

Frank J. Crespo

Christopher C. Curfman

Michael L. DeWalt

Paolo Fellin

William E. Finerty

Steven L. Fisher*

Gregory S. Folley

Thomas G. Frake

Stephen A. Gosselin

Hans A. Haefeli

Kimberly S. Hauer

Gwenne A. Henricks

Denise C. Johnson

James W. Johnson

Kathryn D. Karol

Pablo M. Koziner

Randy M. Krotowski

Julie A. Lagacy

Stephen P. Larson*

Nigel A. Lewis

Steven W. Niehaus

Thomas A. Pellette

William J. Rohner*

Mark E. Sweeney

Tana L. Utley

Karl E. Weiss

Ramin Younessi

Chief Financial Officer

Bradley M. Halverson

Treasurer

Edward J. Scott

Chief Audit Officer

Amy A. Campbell

**Chief Ethics and
Compliance Officer**

Christopher C. Spears

Corporate Controller

Jill E. Daugherty

Chief Accounting Officer

Jananne A. Copeland

Corporate Secretary

Christopher M. Reitz

Assistant Treasurer

Robin D. Beran

Assistant Secretary

Joni J. Funk

Nick G. Holcombe

* Retired in 2013



From Left to Right: Edward B. Rust, Jr.; Jesse J. Greene, Jr.; Charles D. Powell; Susan C. Schwab; Peter A. Magowan; Miles D. White; David R. Goode; Juan Gallardo; David L. Calhoun; Douglas R. Oberhelman; Jon M. Huntsman, Jr.; William A. Osborn; Joshua I. Smith; Daniel M. Dickinson; Dennis A. Muilenburg

Board of Directors

DAVID L. CALHOUN, 56, is Senior Managing Director and Head of Private Equity Portfolio Operations of Blackstone Group LP (private equity firm) since January 2014. He also serves as Executive Chairman of the Board of The Nielsen Company B.V (marketing and media information) since January 2014. Prior to his position at Blackstone, Mr. Calhoun served as Chief Executive Officer of Nielsen Holdings N.V. (2010–2013) and Vice Chairman of General Electric Company and President and Chief Executive Officer of GE Infrastructure (2005–2006). Other current directorships: The Boeing Company. Other directorships within the last five years: Medtronic, Inc. Mr. Calhoun has been a director since 2011.

DANIEL M. DICKINSON, 52, is currently Managing Partner of HCI Equity Partners (private equity investment). Other current directorships: Mistras Group, Inc. and HCI Equity Partners. Other directorships within the last five years: Progressive Waste Solutions Ltd. Mr. Dickinson has been a director since 2006.

JUAN GALLARDO, 66, is currently Chairman of the Board, Organizacion CULTIBA (holding company of Grupo Gepp and Grupo Azucarero Mexico) and Chairman of Grupo GEPP S.A.P.I. de C.V. (Pepsicola bottling group and its brands in Mexico. Other current directorships: Lafarge SA and Grupo Financiero Santander S.A.B. de C.V. Mr. Gallardo has been a director since 1998.

JESSE J. GREENE, JR., 68, is currently an instructor at Columbia Business School in New York City where he teaches corporate governance, risk management and other business topics at the graduate and executive education levels. He was formerly Vice President of Financial Management and Chief Financial Risk Officer of International Business Machines Corporation (computer and office equipment). Mr. Greene has been a director since 2011.

JON M. HUNTSMAN, JR., 53, is former United States Ambassador to China (2009–2011) and former governor of Utah (2005–2009). Other current directorships: Chevron Corporation, Ford Motor Company and Huntsman Corporation. Mr. Huntsman has been a director since 2012.

PETER A. MAGOWAN, 71, was formerly President and Managing General Partner (1993–2008) of the San Francisco Giants (major league baseball team) and Chairman (1980–1998) and Chief Executive Officer (1980–1993) of Safeway Inc. (food retailer). Mr. Magowan has been a director since 1993.

DENNIS A. MUILENBURG, 49, has been Vice Chairman, President and Chief Operating Officer of The Boeing Company (aerospace/defense products and services) since December 2013. Prior to his current position, Mr. Muilenburg was Executive Vice President of The Boeing Company and President and Chief Executive Officer of Boeing Defense, Space & Security (2009–2013); President of Boeing Global Services & Support (2008–2009); and Vice President and General Manager of the Boeing Combat Systems division (2006–2008). Mr. Muilenburg has been a director since 2011.

DOUGLAS R. OBERHELMAN, 60, is currently Chairman and Chief Executive Officer of Caterpillar Inc. Prior to his current position, Mr. Oberhelman served as Vice Chairman and Chief Executive Officer-Elect and as a Group President of Caterpillar Inc. Other current directorships: Eli Lilly and Company. Other directorships within the last five years: Ameren Corporation. Mr. Oberhelman has been a director since 2010.

WILLIAM A. OSBORN, 66, was formerly Chairman and CEO of Northern Trust Corporation (multibank holding company) and The Northern Trust Company (bank). Other current directorships: Abbott Laboratories and General Dynamics Corporation. Other directorships within the last five years: Tribune Company. Mr. Osborn has been a director since 2000.

EDWARD B. RUST, JR., 63, is currently Chairman, CEO and President of State Farm Mutual Automobile Insurance Company (insurance). He is also President and CEO of State Farm Fire and Casualty Company, State Farm Life Insurance Company and other principal State Farm affiliates as well as Trustee and President of State Farm Mutual Fund Trust and State Farm Variable Product Trust. Other current directorships: Helmerich & Payne, Inc. and McGraw-Hill Financial, Inc. Mr. Rust has been a director since 2003.

SUSAN C. SCHWAB, 58, is currently a Professor at the University of Maryland School of Public Policy and a Strategic Advisor for Mayer Brown LLP. Prior to her current positions, Ambassador Schwab held various positions including United States Trade Representative (member of the President's cabinet) and Deputy United States Trade Representative. Other current directorships: FedEx Corporation and The Boeing Company. Ambassador Schwab has been a director since 2009.

MILES D. WHITE, 58, is currently Chairman and Chief Executive Officer of Abbott Laboratories (pharmaceutical and medical products). Other current directorships: McDonald's Corporation. Mr. White has been a director since 2011.

Additional directors in 2013, retired as of December 31, 2013

DAVID R. GOODE, 72, was formerly Chairman, President and CEO of Norfolk Southern Corporation (holding company engaged principally in surface transportation). Other current directorships: Delta Air Lines, Inc. and Texas Instruments Incorporated. Mr. Goode had been a director since 1993.

CHARLES D. POWELL, 72, is currently Chairman of Capital Generation Partners (asset and investment management), LVMH Services Limited (luxury goods) and Magna Holdings (real estate investment). Prior to his current positions, Lord Powell was Chairman of Sagitta Asset Management Limited (asset management). Other current directorships: LVMH Moët-Hennessy Louis Vuitton and Textron Inc. Lord Powell had been a director since 2001.

JOSHUA I. SMITH, 72, is currently Chairman and Managing Partner of the Coaching Group, LLC (management consulting). Other current directorships: Comprehensive Care Corporation, FedEx Corporation and The Allstate Corporation. Other directorships within the last five years: CardioComm Solutions Inc. Mr. Smith had been a director since 1993.

CONSTRUCTION INDUSTRIES

Construction Industries is built to support customers using machinery in infrastructure and building construction applications. Responsibilities include business strategy, product design, product management and development, manufacturing, marketing and sales and product support. The product portfolio includes backhoe loaders; compact, small and medium wheel loaders; small and medium track-type tractors; skid steer loaders; multi-terrain loaders; compact track loaders; mini, small, medium and large track excavators, wheel excavators; motor graders; select work tools and pipe layers.



Sales

(\$ in millions)

\$19,334 \$18,445



2012 2013

Segment Profit

(\$ in millions)

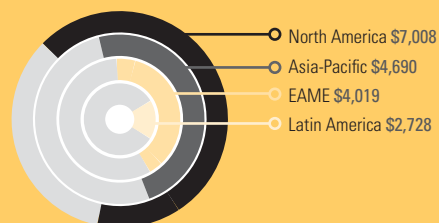
\$1,789 \$1,363



2012 2013

2013 Sales by Geography

(\$ in millions)



Gaining Market Share through Quality

A Conversation with Ed Rapp, Group President



What were your successes and challenges during 2013?

I feel really good about how our group is positioned coming out of 2013. We had many challenges relative to the industry – business conditions, managing inventory and other things. But as I look at the foundation we’ve collectively built, the health of our product line, the progress we’re making in critical markets and the gains we’re making relative to market share, I have great confidence going into 2014. We are well-positioned for additional successes in the years to come.

From a competitive perspective, how does quality factor into Caterpillar winning business?

Our value proposition is based on the belief that our customers will make more money with Cat® equipment than they would with our competitors’ equipment. Quality is a key component of that proposition because customers can only make money when their equipment is in operation. Our products tend to operate as part of a system – an excavator loading a truck or a wheel loader loading a hopper. So if one Cat® machine goes down, the customer’s whole operation could potentially go down. There is no Caterpillar value proposition without quality products and quality service. No matter where our customers are located around the world, the expectation of quality is always the same. So for us, quality is the price of admission.

What are the most effective measures of quality?

As I think about quality, I always remember “only the paranoid prevail,” and so we’re on top of metrics on a regular basis; we have internal metrics and metrics from our dealers that we review daily. But I also measure quality in terms of the feedback we get as we travel and visit with dealers and with customers. I often ask the question, “What are the things we’re doing that you really like and what are the things we’re doing that need to get better?”

And it’s through that feedback from customers that we get a good sense of our strengths – the things that we’re doing right and need to continue – and other areas of opportunity. I’d say the biggest risk in this job is isolation, and the way to break through that is to engage directly with customers and get their feedback.

What sort of quality trends has Construction Industries experienced in recent years?

Quality trends have been good over the last number of years. What makes that even more remarkable is that we’ve seen improving trends in our quality during one of the more challenging periods of new product introduction, as we have launched Tier 4 product in developed parts of the world. It was incredibly challenging to deliver emissions levels that have never been achieved before, while also improving fuel efficiency and doing so at better quality levels. Sometimes people underestimate the significance of Tier 4 – better quality, better emissions, better fuel efficiency – it really does show the power of systems integration, the power of Caterpillar.

Beyond quality, what factors are driving success for Caterpillar?

The primary factor is the strength of the Cat product portfolio. The depth and breadth of that line is a key part of our strength – from the smallest machines to the largest mining equipment, from generators to engines that power ocean-going vessels. It’s a testament to the fact that building machinery at Caterpillar is a team sport – a collaboration between product, component and service groups, coupled with feedback and engagement from customers. All of these players work jointly in terms of product development, and help us create solutions that meet customer requirements.

This collaborative environment at Caterpillar is better than it has ever been, allowing us to deliver more quality products today than ever before.

A Deeper Understanding of the Customer

It's not that often that a company gets to truly experience the "ins and outs" of its customers on a daily basis. But we're doing just that at Caterpillar and taking the meaning of "understanding the customer" to a whole new level. For the past two years, Caterpillar has collaborated with Kiewit – one of our large North America-based customers – in a rotational job exchange opportunity.

The idea of a job exchange stemmed from Caterpillar Vice President Tom Bluth who was looking for an opportunity to develop Caterpillar engineers with a more profound focus on the customer.

"The start of the program grew out of our desire to drive a deeper understanding of our customers and also enhance the development of our key leaders," says Bluth.

Tim Graham, who is now Caterpillar's chief engineer for mid-sized wheel loaders, was the first to experience this opportunity. He spent one year with Kiewit rotating through various assignments and learning different aspects of Kiewit's business – from estimating and planning projects to the core running of the business to field-facing projects.

"Kiewit owns about 2,500 pieces of Cat® equipment and touches nearly every industry that Caterpillar serves – earthmoving, mining, energy and power, etc. – so it was a pretty eye-opening experience for me," explains Graham. "Not only did I gain a deeper understanding of the customer, what their needs are and how we can serve them better, but there was a lot of character building and leadership growth that naturally happened through this experience."

Graham's year proved to be an extremely successful developmental opportunity, so much so that the two companies expanded the idea even further by sending one of Kiewit's leaders to Caterpillar for a similar rotational experience.

In the second year of the program, Chad Jessen, senior equipment manager for Kiewit, spent a year at Caterpillar rotating through four different divisions, while Caterpillar's Darren Knutson spent a year rotating assignments at Kiewit. Both Jessen and Knutson's experiences were built on a common focus: technology-enabled solutions.

"If our customers are successful, we will be successful," says Knutson. "The value of our relationship with Kiewit is about much more than sales; it is about the relationship and both parties working toward common goals geared toward technological advances in the markets we serve."

While working with Caterpillar, Jessen also had the opportunity to participate in Caterpillar's Executive Leadership Program.

"My time with Caterpillar was such a unique experience. There were so many takeaways," says Jessen. "Being provided the opportunity to see a world-class operation like Caterpillar and get behind the curtain to not only help Caterpillar be more successful by passing on knowledge of what we believe, as the customer, but also to learn what they're working on that Kiewit can take advantage of was invaluable."

"This is just the beginning; we're just scratching the surface in developing a deeper understanding of our customers," says Vice President Karl Weiss who continues ownership of the program. "We have the opportunity, as our understanding grows, to help our customers be more profitable through improved Cat® products and solutions."

Global Strength Through Local Leadership



Caterpillar's global presence, depth and breadth of our product line and financial strength are unmatched in the industry. A key factor to this global strength is a distinct focus on local leadership development.

"As we look at building out our Business Model around the world, building local leaders is at the top of our priority list," explains Ed Rapp, Group President with responsibility for Construction Industries. "Development of local leaders around the world is what we have to do if we truly want to be a global company."

"If you think about how strategy execution happens, it starts with a clear articulation of where you want to go, followed by someone driving that execution throughout the organization to turn vision into reality," says Rapp. "And if you think about how that's going to happen around the world, it is so much more effective when it's driven by someone from a local culture in a local language."

Caterpillar Vice President with responsibility for China Operations Qihua Chen is a prime example of where building local talent has proven to be successful. Chen started his career as an engineer with the Chinese state-owned company Xuzhou Construction Machinery Group (XCMG). Years later, when Caterpillar formed a joint venture with XCMG, creating Caterpillar Xuzhou Ltd. (CXL), Chen was the first employee to join the company.

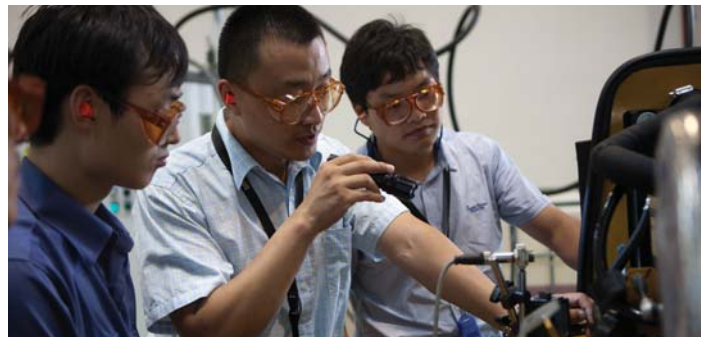
Throughout his career at Caterpillar, Chen spent time developing skills in multiple parts of the business and multiple locations across the world. Today, Chen is responsible for leading Caterpillar's "Win in China" strategy by providing overall leadership to the company's growth in China, which includes 26 facilities, four research and development centers, three logistics and parts centers and more than 15,000 employees. He also has direct responsibility for leading operations at CXL and Caterpillar Suzhou Co., Ltd.

Leading such an effort requires strong ties and deep relationships throughout the country. Chen also acts as the company's country manager, responsible for being the "face of Caterpillar" in broad-based dealings with government officials and the general media in China.

"Reflecting on my personal journey, I think it's vitally important for us to build our local talent pipeline," says Chen. "Having leaders in place who understand local cultural nuances, who know the organization and Business Model and who can bring people together to build on Caterpillar's values and culture is a key differentiator that we can leverage to help us be even more successful."

Currently, more than two-thirds of Caterpillar's manufacturing facilities in China are led by local leaders, with a target to increase the local leader population to 90 percent.

"We have a clear strategy in place, built on three elements – attract, develop and perform – that is going to help us to get there," explains Chen. "We're focused on attracting the right people, maximizing on their strengths so they can grow and develop and providing the clarity needed, so they can successfully perform. Our focus on local leader development is a key part of our strategy that will pay benefits for us in the long term."



Brazil's Growth Acceleration Program Benefits Caterpillar and Communities

The future is looking brighter for 3,441 municipalities in Brazil after receiving new Cat® equipment. Several thousand Cat motor graders and backhoe loaders were purchased by the Brazilian government in 2013 and provided to municipalities with a population of less than 50,000, as part of the country's Growth Acceleration Program (PAC2). The machines will help improve cities by building and maintaining roads, which in turn will improve the flow of agricultural products between local farmers and bigger cities.

"Some of these cities still only have dirt roads," explains Odair Renosto, Earthmoving product manager. "Getting a new motor grader or backhoe loader from the government – something they wouldn't otherwise be able to afford – is a really big deal for the city."

Caterpillar was awarded three winning bids from the Brazilian government after participating in a reverse auction that resulted in the sale of a significant number of motor graders and backhoe loaders in 2013.

"This is the first time we participated in an auction of this magnitude," explains Renosto, who says all bidders go into the process blind, not knowing who they're competing against. "In order to even participate in the bidding process, we had to meet some very stringent requirements." These bid requirements included the ability to deliver machines within the specified delivery timeframes, providing freight to the destination cities, a two-year warranty and 2,500 hours of service maintenance, as well as operator and service training.

"The government put such stipulations in place to protect the end customer in the cities," adds Renosto. "They needed to ensure the machines would be properly serviced and that operators could be trained."

São Francisco de Assis, a municipality with a large population of family farmers who produce a variety of foods such as milk and beans, is among those that received Cat equipment. Mayor Horácio Benjamim da Silva Brasil says that the receipt of the motor grader will help improve family incomes and living conditions in the region.

"These machines are extremely important to our region," says the mayor, whose municipality has more than 3,500 kilometers of dirt roads. "A road in good condition contributes to the sustainability of the families who live here because they can generate food for their own consumption, as well as generate an income."

"As is typical of our culture, employees in all functions within Caterpillar rallied to rapidly increase production and ensure delivery," adds Worldwide Product Manager Pat O'Connell. "There is a real sense of pride in seeing how the machines are directly benefiting people's daily lives. These machines will have a lasting impact on the towns they serve, similar to Caterpillar's enduring presence in Brazil."



CONSTRUCTION INDUSTRIES

Cat® Connect Optimizes Customer Operations

Caterpillar has built a reputation for excellence by listening to its customers, understanding their needs and challenges and delivering products, services and solutions that help them succeed. Today, Caterpillar is not only meeting those needs, but exceeding them with technology at the forefront.

Caterpillar has been offering technology-enabled solutions to our mining customers for some time via Cat® MineStar™. Recently, Caterpillar introduced a new framework of technologies and services – called Cat® Connect – to help customers in other industries monitor, manage and enhance their operations, which will in turn improve their bottom line.

“Using connected data from technology-equipped machines, customers now have the ability to get a true view of what’s going on at their job site,” explains Caterpillar Technology & Solutions Manager John Carpenter. “They can monitor everything from the productivity of their machines to fuel consumption and maintenance to the overall availability of their fleet, regardless of the size and complexity of their operation and regardless of whether it’s a piece of Cat® equipment or from one of our competitors.”



Cat Connect offers improvement in four areas: equipment management, productivity, safety and sustainability.

- **Equipment Management** helps customers increase uptime and reduce operating costs by monitoring fuel burn, location and utilization of machines, as well as health and maintenance issues like hours and fluid contamination.
- **Productivity** monitors production and manages job site efficiency by using technology to measure payloads and cycle times to optimize production and reduce loading and hauling costs. It also utilizes grade and compaction control technologies so operations get done faster with more accuracy and less rework.
- **Safety** increases job site awareness to encourage safe practices for people and equipment. This includes on-board camera systems and object/proximity-detection systems that significantly increase the operator’s view point, contributing to a safer job site.
- **Sustainability** reduces environmental impact and simplifies compliance reporting. By monitoring fuel burn and carefully managing resource consumption, customers can reduce operating costs and improve job site efficiency while considering environmental impact.

These solutions are tailored to meet customer requirements and are either factory installed on machines or offered as aftermarket retrofit options offered through Cat® dealers’ SITECH channel, the only technology-focused distribution channel of its kind.

Cat® Connect Optimizes Customer Operations (continued)



Caterpillar customer D/N Excavating is seeing the benefits of Cat® Connect, after they utilized both Caterpillar installed and aftermarket solutions. D/N Excavating, a commercial and residential contractor located in New York, first experienced what this technology can do for its business when they purchased a Cat® D5K tractor Track-Type Tractor that was factory-equipped with Cat Grade Control, part of the Cat Connect grade control technologies. They later installed the aftermarket solution to a Cat® 324D excavator to help improve grading efficiency.

“Because we are able to tackle much larger projects [due to Cat Connect], our company has nearly doubled our gross sales in the last two years,” says Don Nusbaum who owns D/N Excavating with Scott Duso. The two say they’ve also seen a grading efficiency gain of 100 percent, reduction in labor of 90 percent and significant reduction in rework as a result of this technology.

“If we did not jump on machine control and guidance technology when we did, we were going to be left behind,” adds Duso.

Carpenter says customers are seeing tremendous results with these solutions after experiencing them just once on their job sites.

“We want our customers to make more money and enhance operational safety using our products and services than they can with our competitors – and we’re doing just that with Cat Connect,” says Carpenter. “Once customers experience what we have to offer, they want to immediately leverage these technologies on their own job sites.”



CUSTOMER & DEALER SUPPORT

Customer & Dealer Support is built to strengthen Caterpillar's product support excellence by bringing a strong focus to Cat® branded equipment and customer service and delivering outstanding dealer development. This group supports customers and dealers in a variety of ways, such as providing employee equipment training on job sites, supplying aftermarket parts and service support and offering e-business and equipment management solutions. Key strengths are the ability to manufacture parts and components, provide remanufacturing solutions and deliver unmatched parts availability to dealers and customers anywhere in the world.

A black and white photograph of a Caterpillar bulldozer at a construction site. A worker in a hard hat and safety vest is standing next to the bulldozer, working on the track system. The bulldozer has the "CAT" logo on its side.

178

Global dealers

More than

3

 MILLION

Cat products at work around
the world

88+

Year history with dealers

COMMON GROUND

Helping Customers Discover What We're Built to Deliver

A Conversation with Stu Levenick, Group President



How does the Cat® dealer network set us apart, and why is it a competitive advantage?

The most important thing about the Cat dealer network isn't necessarily that dealers are independent, although that's certainly a factor; it's the dynamic relationship that we've built with dealers over the years. We could build an independent dealer network, but if we didn't value their input – and they didn't value ours – it wouldn't be very successful. It's the mutual trust, performance and commitment to serving our customers that gives us a competitive advantage.

The BUILT FOR IT™ rebranding campaign was a major initiative during 2013. What were the primary components of the campaign?

A lot of effort went into developing and deploying BUILT FOR IT, which was initially launched in five major markets – China, Indonesia, Russia, North America and Brazil – but will be rapidly expanded to the rest of the world.

The initial campaign included print materials, billboards and a robust online presence. Through that process, Caterpillar connected with 1.6 billion people around the world, and so far we're very pleased with the results. We will continue this effort in 2014. BUILT FOR IT was the main theme for our presence at CONEXPO and our Worldwide Dealer Meeting, and human resources is using it in their recruitment efforts, for example. BUILT FOR IT is rapidly becoming how we communicate our brand message both internally and externally, to virtually every constituency that we have.

When our customers hear BUILT FOR IT, what do you want their takeaway to be?

When a customer hears BUILT FOR IT, we don't want them to think of just a product or solution, but an entire organization that's dedicated to their success. We developed BUILT FOR IT as a campaign to capture what Caterpillar really is. We're much more than just products. We're much more than just solutions. We're a global organization, along with our dealers, with products, services and solutions and people on the ground who are dedicated to building customer value.

Can you provide an example of how we help customers lower costs and add value?

From a solution perspective, condition monitoring services have allowed customers to dramatically improve their productivity and reduce their operating costs. Productivity is a key decision point for machinery – not only the control and guidance systems that allow them to perform and produce at a much higher rate, but also the ability to monitor that productivity from afar. Condition monitoring technology provides real-time data feeds from machines, providing critical information about what's happening with that equipment. This can range from simple information, like the location of a piece of equipment, up to identifying service issues in advance of an equipment failure. Condition monitoring offers a range of solutions for customers to better manage their equipment and lower their owning and operating costs, making them more successful.

Reman is another area of responsibility for you. How does that business add value?

Remanufacturing is an important aspect of our business and a solution that provides customers a tremendous opportunity to lower their owning and operating costs. It was first deployed in North America, driven by our former on-highway truck engine business. Over the years, we've steadily expanded this concept to other product lines and components. Remanufacturing has tremendous sustainability advantages, and these are of particular importance in some of our key markets, like China. On the one hand, we think remanufacturing makes a lot of sense for customers economically, but it also allows us to reuse components over and over again rather than put them into a landfill. Because it's a really good solution for both the customer and the environment, we are aggressively promoting remanufacturing as an attractive solution in markets throughout the world.



CUSTOMER & DEALER SUPPORT

88 Years "Across the Table"

For more than 88 years and through dramatic changes in our business, the simple yet powerful relationship between Caterpillar and our dealers has endured. Combining the capabilities of a global technology and manufacturing leader with a close personal relationship between dealers and their customers in their own languages, cultures and locations has made Caterpillar what we are today and will carry us well into the future.

In 1926, three visionary Caterpillar managers – I.E. Jones, W.H. Gardner and H.P. Mee – sat down in San Leandro, Calif., and helped write "Across the Table," a book in which they outlined the foundational principles for the relationship between Caterpillar and Cat® dealers. There is great wisdom in a book that has truly stood the test of time and is as relevant today as it was in 1926. The three men defined the number-one qualification for a Cat dealer: "Good character, and a sustained reputation for square dealing."

In describing the relationship between Caterpillar and our dealers, the book explains, "Our dealer organization is our chief pride ... the dealership relation with this company is so close that both manufacturer and dealer must have unbounded mutual confidence in and respect for one another ... It is only upon the basis of such mutual esteem that an enduring relationship can be built." Those words still ring true and always will.

The foundational principles first defined in "Across the Table" have served us well for over 88 years as our relationship has grown and thrived. But the world has changed since we published the book in 1926. Caterpillar and our dealers have changed, as have our customers' needs. That's why in 2013 we launched our Across the Table initiative with our dealers.

Our distribution model, which has historically delivered unmatched *local* support, is increasingly measured by *global* standards. The



BUILT FOR IT™

In 2013, for the first time in company history, a global brand promotional campaign was launched in Brazil, Russia, Indonesia, China and North America. This campaign highlights the BUILT FOR IT™ message platform and tagline that was also launched in 2013 to the enterprise and to the Cat® dealer network. This message is an external manifestation of our internal brand promise, "A Champion for Your Enduring Success."

The essence of BUILT FOR IT reaches far beyond our products and services. It showcases our ability to leverage the strengths and expertise of our global manufacturing and distribution network that is positioned to deliver a wide range of solutions. By executing a consistent, well-coordinated marketing message between Caterpillar and Cat dealers, we will have the opportunity to increase our brand value even more. When it comes to helping customers get their jobs done, no matter how big or small the challenge, this unified voice will highlight that we are built to help them succeed. Simply put, we are BUILT FOR IT.

88 Years “Across the Table” (continued)



Cat® dealer network is one of our biggest competitive advantages, and we must make sure that it continues to uniquely position itself so that our customers succeed into the future. In 2013, Caterpillar and Cat dealers worked together to define and lay the foundation for a strategy that addresses our mutual challenges and builds the foundation for our next century of progress. This requires a thoughtful transformation within our distribution model, without changing the principles that define our relationship.

Together, we have mapped the path forward to achieving the transformation we need around four objectives:

STRENGTHEN

The Cat Dealer Model

ENHANCE

Customer Focus

ACHIEVE

Superior Economics for Caterpillar and the Dealer

SEIZE

Opportunities while Mitigating Risks

More than 80 dealers worldwide have been working side-by-side with hundreds of Caterpillar employees from every area of the company on projects focused on such things as e-business, technology-enabled solutions, service strategy, rental and used equipment strategy and parts logistics. A global team focused on one ideal – ensuring that our distribution network is built for our next century of progress.

CUSTOMER & DEALER SUPPORT

Caterpillar Can Win in China with Remanufacturing Services

This past October marked a significant milestone for Caterpillar's Remanufacturing business. We received official approval and support from the Chinese government to import true Reman Finished Goods (RFG).

"RFG imports allow us to be more competitive and win more business in China. Most importantly, they allow us to serve more customers, and when our customers win, we all win," says Reman General Manager Frank Li.

This change enables Caterpillar to sell more machines by providing our customers in China the complete Cat® value package and a broader range of options. Our dealers see value in RFG imports too, as they create more business opportunities and choices to serve the customer. One Cat dealer in China, Lei Shing Hong (LSH) Machinery, has seen positive results in sales since the introduction of RFG importation.

"We have a lot of loyal customers in our territory that always request Reman as their first preferred choice because Reman is as good as new, but priced at a fraction of new," shares LSH Engine Division Marketing General Manager Allan Wang. "Our customers have Cat® legacy engines still in operation, and they rely heavily on Reman product offerings for cost-effective repairs. These customers were just as excited as we were to see that Caterpillar is now able to import RFG."

"We can offer more options for customers with Cat Reman import constraints removed," says LSH Machine Division Product Support General Manager Stanley Sheung.

RFG is also beneficial from a service operations perspective.

"In the past, because Reman offerings were limited, we had to pick and choose what Reman products would be available for our repair strategy for both workshop and field repairs," says LSH Engine Division Parts and Service Operations General Manager Fan Baochun. "However, with Cat RFG imports, we are able to now rely on the availability of the full range of Cat Reman parts such as fuel injectors, cylinder heads, cylinder liner packs, crankshafts, turbochargers, etc., for use in our repairs. We can now utilize our technicians for more value-added jobs and have increased our engine rebuild shop throughput and decreased workshop and field service job turnaround time, resulting in a solid increase of our capacity and capability."



Customers Succeed with Equipment Management Solutions

Caterpillar is in business to help customers succeed, and nothing is more critical to customer success than having machines ready to do the job wherever and whenever they are needed. Cat® dealer NMC understands this and works with customers to ensure they succeed.

Based in Nebraska, NMC's customers range from construction companies to feed lots, but they all have one thing in common – the need for reliable, dependable equipment. NMC's Equipment Management Solutions department offers a variety of solutions to their customers, such as Product Link™ and VisionLink™ technology, Fluid Analysis, Fault Code Monitoring, Machine Analysis Reporting and Customer Support Agreements.

Fault code technology enables a machine's engine to generate a "fault code" whenever it operates outside of expected performance. NMC's Fault Code Monitoring service utilizes Cat® Product Link to transmit machine fault code alerts to NMC's knowledgeable staff via satellite or cell phone as they occur. The team then analyzes the data, researches potential causes and repairs and notifies the customer with a recommendation. By catching potential problems early, customers save time and money by avoiding major repairs.

Recently, the NMC Equipment Management Solutions Team saved customer Werner Construction thousands of dollars with Fault Code Monitoring. The customer saw a cost savings of 90 percent by catching a fuel injector problem early and replacing it, rather than having to replace the entire engine of the machine.

"We count on NMC's Equipment Management Solutions group to help us monitor and manage our fleet of Cat® equipment. By monitoring fault codes, they identified a fuel injector on one of our Cat® 972K Wheel Loaders that wasn't responding correctly and quickly replaced the part before it caused any damage to the engine. This type of customer service allows us to maintain equipment uptime and manage our repair costs,"

says Brad Beck, Fleet Operations manager for Werner Construction. Werner Construction is a family-owned company that has been in business for 77 years and has more than 120 pieces of Cat equipment, as well as several other pieces of equipment with Cat® engines.

NMC also provides Fluid Analysis service to customers. The Fluid Analysis Lab is able to test almost any fluid on a piece of equipment: engine oil, transmission fluid, hydraulic fluid, fuel, coolant, etc. This allows NMC to accurately and scientifically identify mechanical problems, which helps reduce customer downtime and minimize repairs costs. The tests performed include identifying wear metals that are present, particle counts of metallic and non-metallic debris and analyzing the sample for the presence of fuel, water and glycol. These tests and others provide one detailed sample report with a recommendation in an understandable language.

In May 2013, NMC's Fluid Analysis Lab also provided significant savings to Werner Construction by identifying an issue with a machine's transmission and making a small repair before the issue destroyed the entire transmission.

"We've incorporated NMC's Fluid Analysis Services into our Fleet Management Program in part because it allows us to better manage our expenses by identifying any potential equipment failures before they become more serious or catastrophic. We receive the analysis results quickly and can always count on the staff at NMC to provide support, and if necessary, service repairs," commented Beck.

In a world where time is money, NMC's Equipment Management Solutions department allows customers to reduce unexpected downtime, schedule service around production demands and ultimately realize a systematic approach for managing fleet and repairs – providing critical information whenever they need it, wherever they are.

ENERGY & POWER SYSTEMS

Energy & Power Systems is built to support customers using reciprocating engines, turbines, locomotives and related systems and solutions in oil & gas, power generation, marine, rail and industrial applications, including Caterpillar machines. Responsibilities include business strategy, product design, product management and development, manufacturing, marketing, sales and product support. The product and services portfolio includes reciprocating engines, generator sets, marine propulsion systems, well-service pressure-pumping products, turbines and turbine-related services, diesel-electric locomotives and other rail-related products and services.

Sales

(\$ in millions)

\$21,122 \$20,155



2012

2013

Segment Profit

(\$ in millions)

\$3,434 \$3,400



2012

2013

2013 Sales by Geography

(\$ in millions)



North America \$8,231

EAME \$5,735

Asia-Pacific \$4,021

Latin America \$2,168

CAT

COMMON GROUND

The Golden Age of Natural Gas

**A Conversation with Jim Umpleby,
Group President**



What is driving demand for energy resources and, in particular, natural gas?

Global economic growth is driving significant demand for commodities, energy and infrastructure. Studies indicate that global energy demand will increase 100 percent between 2000 and 2040. Although renewable forms of energy, such as wind and solar, are growing rapidly in many countries, fossil fuels such as oil, coal and natural gas are still expected to meet 80 percent of the world's energy needs in the year 2040. The demand for natural gas is increasing rapidly due to abundant supply, low cost and emissions.

What type of transformation is the natural gas industry undergoing?

We're really coming into the golden age of natural gas, and the United States is at the forefront of this transition. We expect natural gas to play a larger role in the global energy mix during the coming decades. Advances in technology, such as well stimulation and horizontal drilling, have allowed oil and gas that were previously uneconomical to produce to be brought to the market. These new technologies have allowed the United States to become the leading producer of oil and gas in 2013. The rapid increase in natural gas production has reduced natural gas prices, offering a competitive advantage for the U.S. and is also creating many opportunities for Caterpillar, our dealers and our customers.

What are some of the ways that Caterpillar customers are participating in this transformation?

Caterpillar participates across a large portion of the natural gas value chain. Our reciprocating engines are used for drilling and gas gathering and our well stimulation pumps manufactured by our Black Horse joint venture with Ariel Corporation are used for well servicing. Natural gas pipelines around the world utilize Solar® gas turbines and centrifugal gas compressors. Cat® machines are used to prepare drilling sites and our pipelayers and other machines are used to construct pipelines. For those residential consumers of natural gas in the U.S. and Western Europe, there's a very high probability that Cat® products were used to produce or transmit the natural gas used in your homes.

How is technology helping us to realize the potential of natural gas?

Caterpillar is investing heavily in new technologies, including those that bring natural gas to products and machines that have traditionally operated on diesel fuel. We're working with a number of our customers – in rail, marine and mining – to provide dual fuel engines that will burn both natural gas and diesel. One can envision a future where locomotives, mining trucks and some other machines use liquefied natural gas, creating economic and environmental advantages for our customers. Caterpillar is committed to being the leader in these technologies.

What part of your work with natural gas technology do you take the most pride in?

Caterpillar employees and our dealers are proud to provide the products and services that improve living standards around the world. Many in the developing world still do not have access to reliable power in homes, schools and hospitals. We're very proud that we're playing a vital role in improving living conditions around the world.

Expanding Solutions for a Growing Resource

Global energy consumption is rising rapidly, driven by worldwide population growth, developing economies, improving living standards and the use of ever more energy-dependent technologies. More than 1 billion of the world's 7 billion residents are without access to electricity. Natural gas is playing a rapidly expanding role to meet this need. Natural gas is also much more abundant and recoverable than it was just a few years ago. From exploration and production to transmission, from electric generation to advanced engine technologies, Caterpillar solutions are major contributors to this growth story.

Enabling a New Energy Paradigm

The development of new extraction techniques such as well stimulation and horizontal drilling has meant that shale gas, which was previously uneconomical to produce, can be brought to market. In 2013, surging energy output made headlines as the U.S. Energy Information Administration announced the nation was on a path to be the world's largest producer of oil and gas within a year. This remarkable turn of events unfolded in just a decade as the exploration of shale-rock formations grew in nearly every region of the U.S., from Texas and North Dakota to the Midwest and Northeast.

This rapid increase in production, made possible by improved techniques, has resulted in historically low natural gas prices in the U.S. Because of plentiful, low-cost natural gas and the existing infrastructure of pipelines, compressor stations and other equipment, it is expected that natural gas will power the vast majority of new electric generation capacity to be installed in the U.S. during the next 25 years.

Caterpillar's natural gas solutions range across the entire value chain, and our product offering continues to grow. Caterpillar is the market leader for supplying power for land drilling and for providing both engines and transmissions for use on hydraulic well stimulation rigs.

Caterpillar recently created a joint venture with Ariel Corporation called Black Horse LLC to provide well-service pressure-pumping products. These pumps are being sold and serviced through the Cat® dealer network. Black Horse brings our energy production customers a complete pressure-pumping solution, backed by the global parts and service support of our Cat dealers.

For gas production, compression and transmission, Caterpillar manufactures Solar® gas turbines and compressors, and Cat® reciprocating engines. There are thousands of Cat reciprocating engine generator sets and Solar gas turbine generator sets converting natural gas into electricity around the world.

Combining Performance with Efficiency

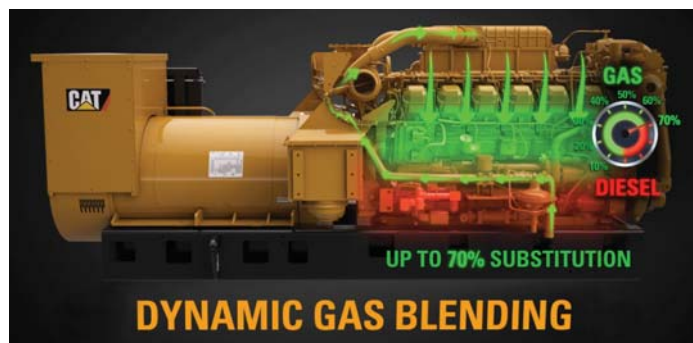
Caterpillar has been a supplier of natural gas-fired reciprocating engines since 1947. Today, more customers are moving from diesel to gas, and many of our customers require a gas option for their engines. In the oil and gas, rail, mining and marine markets, the performance of the gas-powered engine is paramount. It must match the reliability, torque response and power density of the diesel engine, while delivering the fuel cost savings and reduced emissions of natural gas. The technology to deliver these capabilities is dual fuel – engines that burn both diesel and natural gas simultaneously.

Expanding Solutions for a Growing Resource (continued)

With deep expertise in both gas and diesel engines, Caterpillar is well-positioned to deliver reliable dual-fuel engines to the market. Our solutions allow customers to achieve significant savings derived from the price differential between natural gas and diesel. In 2013, we released our first marine dual-fuel engine, a product that allows the operator to switch fuels to meet various emissions requirements. The use of cleaner-burning natural gas contributes to lower-emission engine operations.

Even as we innovate new solutions, we benefit from the legacy of having been a world leader in diesel and natural gas engines for more than 65 years. Our products range from a 7.5 horsepower engine to a 30,000 horsepower gas turbine. We are focused on meeting the world's increased energy needs through a variety of products, solutions and applications across multiple industries. They include:

- Reciprocating engine-powered generator sets
- Integrated systems used in the electric power generation industry
- Reciprocating engines and integrated systems and solutions for the marine and petroleum industries
- Reciprocating engines supplied to the industrial industry as well as in Cat® machines
- Turbines and turbine-related services
- Diesel-electric locomotives and components and other rail-related products and services



CATERPILLAR FUEL TECHNOLOGY SOLUTION DELIVERS

When Southwestern Energy Company was searching for an innovative dual fuel solution to improve drilling efficiency, they turned to the Cat® Dynamic Gas Blending™ (DGB™) kit to implement dual fuel technology into their operations. Southwestern Energy installed two Cat 3512C Generator Sets with EPA-approved Cat DGB kits on a rig operating in the Fayetteville Shale. The Cat dual fuel solutions powered the drilling of eight wells over the course of 45 days, saving Southwestern Energy greater than an estimated \$100,000 in fuel costs. Cat DGB continuously adjusts to changes in fuel quality and pressure, allowing the engine to run on a wide variety of fuels while continuously maintaining diesel power and performance.

As part of our 2010 strategic imperatives, Caterpillar committed to aggressively grow the Energy & Power Systems businesses, which during the last three years have contributed more than one-third of Caterpillar's sales and profitability. Significant investments have been made in alignment with that strategy and in support of our customers. Three of the most recent acquisitions have been in the rail, power and marine groups (Electro-Motive Diesel, MWM, Berg Propulsion).



Cat® Power Generators Bring Hope to Africa

A region of Africa long burdened by poverty, disease and malnutrition due to underdevelopment is now being powered into a new era of prosperity, thanks to Cat® generators. Home to nearly 2 million people, Mtwara and Lindi are the southernmost regions of Tanzania and would experience frequent and prolonged periods without power.

A solution to meet the regions' power needs came from collaboration between local Cat® dealer Mantrac Africa and customer Wentworth Resources. Tapping into the abundant nearby natural gas resource, they developed a project building pipelines using six Cat® G3520C Generator Sets to provide a reliable source of electric power never seen before in the region.

Today, the power plant in Mtwara has three more Cat generators on line, with three more units pending, as the demand for electricity in the region rises and businesses continue to invest. The project has enjoyed widespread support from local political leaders and has been instrumental in the development of plans for future phases of power generation across Africa.

To learn more:

<http://www.youtube.com/watch?v=wRCSscZR1XU>

From Arkansas to Chile, Electro-Motive Diesel Delivers for Rail Industry

One of the EMD™ SD70ACe locomotives delivered to A&M made its debut at the MINExpo Show in Las Vegas, Nev., last September, painted in Cat yellow. Prior to delivery, the locomotive underwent a paint design reflecting A&M's corporate colors and renumbering (in the photo above).

Nearly 5,000 miles apart, with diverse languages, cultures and commercial and industrial requirements, Arkansas and Chile are very different places to do business. Yet in both markets, Electro-Motive Diesel is providing the right solution for rail customers seeking greater efficiency and performance. In the span of two months in 2013, Electro-Motive Diesel delivered three of its EMD SD70ACe demonstrator locomotives to the Arkansas & Missouri Railroad (A&M), representing the first AC traction locomotives for the independent, Class III railroad. Meanwhile, a hemisphere away, Chile's Ferronor railway company put into service six heavy-haul locomotives, representing more than 50 years of technology advancements since the first EMD locomotive model GR12 was delivered in Chile.

The EMD SD70ACe locomotives delivered to A&M are certified for EPA Tier 3 emissions standards. The 4,300 traction horsepower EMD SD70ACe locomotive integrates EMD's highly reliable and fuel-efficient 16-cylinder 710 engine, EMD EM2000™ microprocessor control system and AC traction. The AC traction system provides significantly more tractive effort, allowing locomotive unit replacement and much improved life cycle cost.

A&M operates 139 miles of railway through mountainous terrain from Fort Smith, Ark., to Monett, Mo. The A&M railroad selected Electro-Motive Diesel to supply its new locomotives based on the demonstrated performance of the EMD SD70ACe.

"To take advantage of AC traction on our mountainous route, we determined the rugged design of the EMD SD70ACe would allow A&M to maintain high fleet availability at low cost. The EMD SD70ACe locomotive is ideal for our operations and will enable A&M to retire several older locomotives, while drastically increasing our hauling capability and efficiency," said A&M Chairman Reilly McCarren.

Ferronor owns a railway network of about 2,300 kilometers and mostly transports mining supplies and products. Ferronor's new 4,500 brake horsepower EMD™ GT46AC locomotives improve both emissions and fuel economy. Features include a 16-cylinder engine with electronic unit injection, variable-speed cooling fans and traction motor blowers that optimize cooling, and a split cooling radiator system. The self-steering trucks provide improved curve negotiation and wheel wear. To monitor the health of the locomotive, the Intellitrain™ system provides remote access to locomotive operation and performance, and the EM2000 microprocessor control system provides complete self-diagnostics.

Progress Rail Services Corporation, a wholly-owned subsidiary of Caterpillar Inc., is a leading supplier of remanufactured locomotive and railcar products and services to the railroad industry. Through the acquisition of Electro-Motive Diesel, Inc., Progress Rail has expanded its network of global locations, furthering a commitment to providing industry-leading products and services to our customers.

Expanding to Include Marine Full-Propulsion Solutions

In 2013, Caterpillar acquired Johan Walter Berg AB and its subsidiaries, including the core brand of Berg Propulsion. The company has been renamed Caterpillar Propulsion AB, and integration efforts continue globally. Products manufactured by Caterpillar Propulsion will be Cat® branded moving forward, starting with the new azimuth thruster for tug customers. This acquisition expands the Cat product line from solely offering marine engines and generators to now providing customers complete marine propulsion package systems.

Headquartered in Sweden, Berg has designed and manufactured heavy-duty marine thrusters and controllable pitch propellers since 1929. Its proprietary systems are employed throughout the world in maritime applications that require precise maneuvering and positioning. Starting life as a shipyard, Berg proudly served the marine industry for 101 years, always striving to provide the best solutions for their customers that provide minimized downtime.

"Our team will now be able to provide worldwide Caterpillar support to marine operators for a complete, optimized propulsion package," says Tom Frake, Caterpillar vice president with responsibility for the Marine and Petroleum Power Division.

The integration will provide for even more Cat® products for ship owners around the world, and the Caterpillar Marine team and our unmatched dealer network will provide greater services with these complete Caterpillar Propulsion solutions.



"Our team will now be able to provide worldwide Caterpillar support to marine operators for a complete, optimized propulsion package."

— Tom Frake, Caterpillar vice president

Delivering Backup Power to Kansas Homes



Wind has long been a feature of the Kansas prairie. In fact, the state has the second-highest wind potential in the U.S., second only to Texas. Harnessing that renewable energy resource presents a big opportunity for sustainable growth in the state. Wind energy, however, has one significant limitation – it is not available at the same level at all times. For that reason, utility providers must complement their wind resources with other generation sources that offer flexibility and control to effectively manage sudden changes in supply and demand of power. Caterpillar has the right solutions and capabilities to meet that need.

Mid-Kansas Electric Company, LLC is a coalition of five rural electric cooperatives and one wholly-owned subsidiary that serve approximately 200,000 Kansans throughout 33 counties. Mid-Kansas selected Caterpillar to equip Rubart Station, a backup generating station, to manage the fluctuations in available energy that are inherent with wind power. The result is one of the largest natural gas-fired power plants powered by Cat® generator sets globally.

The new facility will include 20-cylinder, natural gas-fueled Cat generator sets, each rated at 12,500 horsepower. Each engine will drive a single generator, and the total electric output of Rubart Station will be approximately 110 megawatts. The 12 units can be started and ramped up quickly to meet rapidly changing market conditions, to respond to wind resource changes and to assure full reliability within the Mid-Kansas system.

This configuration was chosen over other options based on several factors, including high efficiency, low emissions, exceptionally low water consumption and fast load response.

“Mid-Kansas Electric is building this new station to help manage the fluctuations in available energy that are inherent with the growing presence of wind power in the area,” said Dean Powell, director of Global Sales and Marketing, Caterpillar Power Generation Systems. “We are excited that Mid-Kansas Electric will be the first to install our new Cat® G20CM34 Generator Sets. These generator sets will not only enhance Mid-Kansas’ current diverse generation portfolio comprised of natural gas, coal and wind but will also serve as a reliable and cost-effective means to meet its coalition members’ growing demand for energy.”

200,000

RESIDENTS

The total electric output of Rubart Station is 110 megawatts, which provides power to 200,000 residents in Kansas.





CATERPILLAR ENTERPRISE SYSTEM GROUP

Caterpillar Enterprise System Group brings together critical processes and is built to support Caterpillar to further improve our manufacturing and supply chain capabilities worldwide. It builds upon the strong foundation of our Caterpillar Production System and 6 Sigma by utilizing customer expectations and driving competitive advantage. We align all critical elements of our customer order-to-delivery process with a holistic view that delivers world-class results. Caterpillar Enterprise System Group combines existing divisions and organizations from several functional areas within Caterpillar, including Global Purchasing, Integrated Logistics Services, Caterpillar Production System, Lean and Process Transformation.

A man and a woman are standing in a factory setting, looking at a large piece of machinery. The man is wearing a dark blue polo shirt and glasses, and the woman is wearing a blue short-sleeved shirt and safety glasses. They are both looking intently at the machinery, which appears to be a large industrial machine with various components and pipes.

25+%

of the Caterpillar enterprise
launched Lean in 2013

5

Lean Principles in our
Lean methodology

98%

internal defect reduction at
pre-delivery inspection gate
for medium wheel loaders
produced in Aurora, Ill.

COMMON GROUND

Moving toward a Connected Caterpillar

**A Conversation with Dave Bozeman,
Senior Vice President**



Why was the Caterpillar Enterprise System Group created?

The Caterpillar Enterprise System Group (CESG) was developed in 2013 to get our key order-to-delivery processes aligned under one overall group. We think it's important to take an end-to-end, more holistic view of Caterpillar so we can identify and create business synergies. Overall, CESG wants to improve the customer experience from the time they engage Caterpillar for a product or service to the time that product or service is delivered. We expect our group, together with the businesses, will drive that greater experience.

In terms of Caterpillar's 2020 strategy, why did it make sense to form the group in 2013?

I think Caterpillar has been heading in this direction for a while. Over the years we've used our 6 Sigma and Caterpillar Production System (CPS) deployments to yield great benefits when it comes to delivery, safety and profitability. But if we're moving to the next level as an organization, we really have to look at an end-to-end, order-to-delivery process. That's where the CESG comes in – by aligning our processes together, we're able to improve performance to a level even higher than we could achieve by just using 6 Sigma or CPS.

How will CESG's work influence the execution of the 2020 strategy?

CESG will deliver a more connected Caterpillar, and a more connected Caterpillar will ultimately produce better inventory turns. We'll have a better cash-to-cash cycle and should achieve greater efficiencies with Caterpillar's new product introductions. But more importantly, our group wants to look at the effectiveness and efficiency of our entire value chain – including our internal and external supply chain and our dealers.

Overall, CESG's work will be very important for all of Caterpillar, since we will be optimizing the entire chain and not just individual links.

Over the years, Caterpillar has faced numerous business challenges. How will CESG help the company respond to those challenges?

The CESG team will drive Caterpillar in a connected fashion, knowing that we'll continue to face challenges from time to time. When those occur, however, we want CESG's work to put Caterpillar in a better position to deal with those challenges head-on – increasing our agility and flexibility to address those situations.

How will CESG be successful in executing its strategy?

Strong employee engagement is what we'll need to successfully connect Caterpillar – all of our people embracing CESG goals and helping connect processes and systems into a single chain. I've often said that we strive for boring factories and boring businesses, because "boring" operations mean everything is running smoothly. But that will require engaged employees who can drive profitability. An engaged workforce will help connect Caterpillar and help drive high profitability and growth in those "boring" factories, putting us in a strong position to succeed today and tomorrow.

How do you want the work of CESG to help evolve Caterpillar's culture?

CESG will evolve Caterpillar's culture by taking a more holistic view of the company, as opposed to a more segmented view. It will help promote and drive a more connected organization – which is why it's vitally important to have the order-to-delivery processes and support groups come together under one team. These are the things that will help drive a culture of end-to-end value for Caterpillar.

A Value Chain that Creates Competitive Advantage

Caterpillar is a proven innovator, but breakthrough advances do not end at product design. With the creation of the Caterpillar Enterprise System Group (CESG) in 2013, Caterpillar is driving an innovative focus toward order-to-delivery. To better serve customers from the moment they place an order to the day it is delivered in the field, we are engineering an innovative, end-to-end Lean value chain. The new structure and processes are designed to deliver a competitively advantaged company.

The Caterpillar Enterprise System Group encompasses functional areas of excellence, including Global Purchasing, Integrated Logistics Services, Caterpillar Production System (CPS), Lean Office and Process Transformation. Aligning these critical processes and support groups improves our manufacturing and supply chain capabilities worldwide.

Focused on the Customer

Our customers know exactly what they want – availability and reliability – and this strategic initiative delivers both. A more responsive company is created when we deploy an end-to-end supply chain engineered based on customer expectations. Shortened product lead times mean our business can deliver an unmatched level of agility and responsiveness across the markets and segments we serve. Meanwhile, a focus on Lean in every aspect of our business eliminates inefficiencies and fuels an improvement beyond our current, historical best quality.

Results Driven

A more responsive company also creates value by optimizing the cash conversion cycle. The faster our products reach the market, the sooner both Caterpillar and our customers see a profit. And the benefits do not end there. Increased efficiencies are a fundamental result of increased responsiveness to customers. In addition, when we meet more customer demands, we have the opportunity to further increase our market share and generate total shareholder return, no matter the cycle.



Lean: A Journey that Delivers Significant Results

A commitment to Lean is driving significant process and quality improvements at Caterpillar. Lean challenges all employees to get closer to the customer so they can deliver products and services based on the customer's true expectations, rather than assumptions about customer requirements. At the conclusion of 2013, more than 25 percent of the enterprise had launched Lean.

Deploying the Lean Principle of Built in Quality is the first of five steps in any Lean deployment. Simply put, every person, working every process, must guarantee 100 percent high quality at all stages of work. A defect cannot be passed on during any stage, no matter how small or seemingly insignificant.

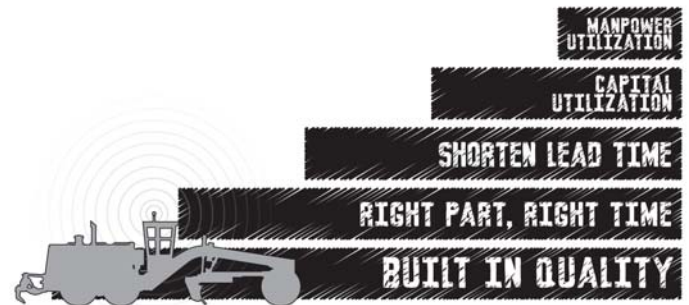
The immediate results achieved through Lean are significant, and deploying these principles creates process improvements and sustainable efficiencies in the entire order-to-delivery space. Lean changes not only the process, but also has a significant impact on culture.

"The success of our Lean journey depends heavily on leader engagement. Overall, I am impressed by how leaders at each of the deployments have embraced Lean, as well as how their actions are opening up lines of communication with employees and driving action," says Dave Bozeman, senior vice president with responsibility for CESG, after conducting a Lean deployment review.

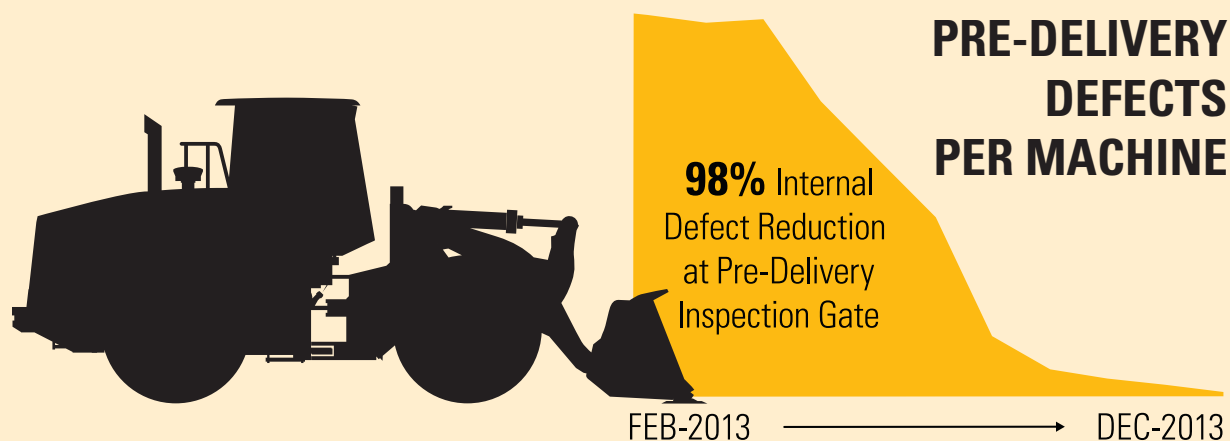
Our Lean journey is not limited to manufacturing. All functional areas within Caterpillar execute business processes on a daily basis. These disciplines include engineering, marketing, purchasing, accounting and human resources. Whatever the organizational role, it is always our priority to embed Lean to provide the highest-quality services, products and outputs to our customers.

Lean Stair Step

Caterpillar's Lean methodology consists of five Lean Principles that are implemented in standardized order.



Lean: A Journey that Delivers Significant Results (continued)



Lean at Work: Spotlight on Medium Wheel Loaders in Aurora, Ill.

Caterpillar is known for its quality, but no matter the product or service there is always room for improvement. Nowhere is this more evident than at Caterpillar's Aurora, Ill. facility. By deploying Lean within the medium wheel loader value stream we are eliminating defects and improving our medium wheel loader process – from customer order-to-delivery.

Since the introduction of Lean at our Aurora facility in April 2013, the results are significant. At initial deployment, Aurora employees were discovering defects on medium wheel loaders and this was seen as normal. Once discovered, those internal defects were then repaired before shipment to the customer; however each repair added extra time associated with rework to our internal processes and additional inventory.

By leveraging the tools and processes of 6 Sigma and the Caterpillar Production System (CPS), Lean empowered Aurora employees to eliminate internal defects throughout the entire value stream. Our more disciplined approach has driven down our average internal defects by 60 percent per medium wheel loader and 98 percent less at our pre-delivery inspection gate.

The elimination of defects and rework is a driving factor behind medium wheel loader value stream velocity improvements. When compared to just a year ago, medium wheel loaders in Aurora are now being built in half the time. Improvements driven by Lean will ensure better product availability for our medium wheel loader customers; and as we continue to deploy Lean across the enterprise customers around the world will see the benefits.

The Power of an Engineered and Intelligent Network

When a Cat® 793 Mining Truck rolls off the assembly line in Decatur, Ill., for delivery in South America, a long and complex transportation journey begins. And while the route will always be long – and involve a combination of trucks, trains and ocean containers to get the job done – Caterpillar is now using an engineered and intelligent transportation network to drive efficiency, effectiveness and value for our customers.

“By enabling real-time visibility of product being delivered with processes that shorten transit time and increase transport utilization, everyone through the outbound value chain wins – Caterpillar, dealers and customers,” says Ed O’Neil, director of Integrated Logistics Services. “Driving future success is about designing and delivering an engineered and intelligent logistics network that delivers customer value.”

This engineered network is a strategic advantage and is already driving significant value for Cat® dealer Finning (South America). Before teaming with Caterpillar’s outbound transportation team, it was a struggle to accurately monitor and track shipments. This lack of visibility drove several inefficiencies, including the inability to accurately schedule staff and localize transportation routes at ports of entry.

“In some cases we had employees waiting for hours – and in some cases days – to receive shipments due to lack of visibility. This was just one of our opportunities,” said Cristian Chavez, vice president operational excellence, Finning (Canada). “The project we (Caterpillar and Finning) ran is a good example of the power and value of Caterpillar and its dealers. Collaboration optimized our supply chain.”

The relationship between Caterpillar and Finning focused on improving transportation routes from North America to Chile, Argentina, Bolivia and Uruguay.

“You have to think about the people and processes needed. Results won’t change if you don’t change the way you think and execute your end-to-end processes” says Chavez. “We did, and the results were really great.”

After working the project for seven months, the team delivered millions of dollars in savings. Actions included:

- Actively monitoring shipments through a common technology platform, thus enabling staff to know when product would arrive at ports of entry, allowing them to prepare an accurate schedule
- Increasing velocity by enhancing transportation scheduling to enable the best and quickest routes with faster arrival times
- Improving transportation volumes and lowering costs by combining freight into fewer shipments

Chavez has since taken a new role at Finning (Canada), but the journey continues. His new team is actively collaborating with Caterpillar to replicate an optimized transportation network at Finning (Canada).

“A transportation network, that enables visibility and velocity, is just simply good business,” says Chavez. “Finning is proof that no matter where you do business, an engineered network delivers a competitive advantage and customer value.”

FINANCIAL PRODUCTS & CORPORATE SERVICES

Financial Products is built to provide financing to customers and dealers for the purchase and lease of Cat and other brands' equipment, as well as financing for Cat product sales to dealers. Financing plans include operating and finance leases, installment sale contracts, working capital loans and wholesale financing plans. The segment also provides various forms of insurance to customers and dealers to help support the purchase and lease of our equipment. Corporate Services is built to provide business and human resources, information technology, accounting and finance services to Caterpillar, serving as the enterprise resource for business-related activities.

Revenues
(\$ in millions)

\$3,090 \$3,224



2012 2013

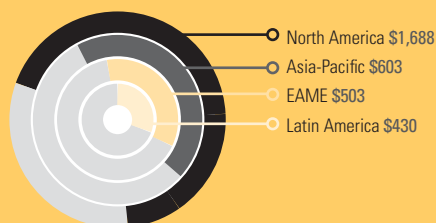
Segment Profit
(\$ in millions)

\$763 \$990



2012 2013

2013 Revenues by Geography
(\$ in millions)



Charts represent financial performance for Financial Products segment.

Solid Delivery Drives Results

**A Conversation with Brad Halverson,
Group President & Chief Financial Officer**



How would you describe Caterpillar's 2013 financial performance?

Two words come to mind when I think about our 2013 financial performance: difficult and execution. It was a difficult year for sales. Caterpillar's sales were down about \$10 billion, with nearly \$8 billion of that coming from Resource Industries, which is typically our most profitable segment. But our employees reacted quickly, and because they were so intently focused on execution, we were still able to achieve a year to be proud of.

What were the areas of execution that really stood out in 2013?

Cost flexibility is a key part of our strategy and we took substantial actions to help maintain profitability as sales declined. Despite the \$10 billion decline in sales, we delivered on our profit pull through target and had a record year for Machinery & Power Systems (M&PS) operating cash flow at \$9 billion. This is a testament to the hard work and great execution of our people. We continued to drive our Business Model by developing high quality products and partnering with our dealers to provide our customers with the best service and support in our industry. In 2013, we improved our overall market share for machines and financed a greater percentage of dealer deliveries through Cat Financial. Safety improved in our facilities and our product quality is at all-time record levels. These areas of great execution were instrumental in delivering strong financial results in what was a difficult year, particularly for mining.

What are the most important drivers of shareholder value at Caterpillar?

Our goal at Caterpillar is to be in the top quartile of the S&P 500 for total shareholder return. We believe achieving that means a long-term growth in earnings per share of about 15 percent. We're in cyclical industries and we understand that there will be years that profit grows faster than that and years when it grows slower or declines. To achieve this long-term profit goal, we allocate resources within Caterpillar to the areas with the greatest growth opportunities, we manage costs and we provide customers with innovative and high quality products. Stockholders value consistency and that presents a challenge in cyclical businesses like ours. Thankfully, we serve a broad range of industries that, while

cyclical, don't usually move to the same degree at the same time, and having that balance in our business helps. In addition, to reduce profit volatility, we're focused on improving inventory performance and cost flexibility through the business cycle.

What can individual employees do in 2014 to help strengthen Caterpillar's financial performance?

I'm really looking forward to 2014. We have the hardest-working and most talented employees on the planet. Collectively, we should all focus on the type of process efficiencies and product innovations that increase customer value. Across the enterprise, this means developing our people, continuing to manage our costs and supporting elements of our Enterprise Strategy including the Caterpillar Enterprise System and our Across the Table Distribution Model Transformation.

Individually, I'd like our employees to focus on growing and developing their skills and be willing to stretch themselves outside of their comfort zone within the workplace. By doing so, not only will they add to their own skill sets, but they'll also increase their value to Caterpillar and our customers. Finally, in 2014, I would ask that our employees do their best to have fun at work. Smile, make a colleague feel good, but also understand that we have a lot of work to do. We can work hard, we can be great at what we do, but we can also enjoy what we're accomplishing in the process.

What do you see when you think about Caterpillar's future?

I love Caterpillar and have a lot of confidence in our long-term future. We're in the right industries – ones that support global growth, infrastructure development and growth of the middle class – and we're well-positioned to help meet those needs going forward. We've got the right business model, the best products and a dealer network that's focused on lowering our customers' operating costs. Although we're a global organization, we're able to make good decisions faster than we've ever made them before. We have a lot to look forward to at Caterpillar – it's going to be a fun journey that we take together.

Complete Solutions Convince Customer to Convert to Cat® Products

What does it take to create a stronger competitive position in an important and growing industry? In the Netherlands, a targeted focus on specialized customer needs, reliable products and well-tailored financial services is proving to be the answer.

Waste and recycling is a growing segment for Pon Equipment BV, a Cat® dealer with operations in the Netherlands. The sector is highly competitive, with three major manufacturers sharing the market with Caterpillar. To build an increased level of customer affinity, Pon Equipment added Account Manager Jan Horsting, dedicated to the waste and recycling industry. Jan was assigned to work with Caterpillar and Cat Financial to target customers and provide tailored financing solutions.

In early 2013, a Caterpillar customer in the Netherlands spoke with a neighboring businessman who was having reliability issues with a competitor's equipment. The machine, used in recycling operations, malfunctioned repeatedly, hampering productivity. The operator filed complaint after complaint. The Caterpillar customer, citing his positive experience, convinced his neighbor to look into replacing his current gear with Cat equipment.

Jan Horsting learned of the opportunity and paid a visit to the potential customer, Gebr. Borg. Jan arranged an onsite demo of a Cat® 972K Wheel Loader, which he believed would be a good fit for owner Fred Borg's needs. During the demo, however, an even better solution emerged. By combining a Cat 962K Wheel Loader with the Cat® 336E Excavator – both smaller, lighter and more affordable machines than the customer's existing unit – work could be performed more productively. Mr. Borg decided to purchase both machines.

Once in operation, the two Cat® machines rapidly proved their worth and outperformed the existing fleet. Mr. Borg was interested in adding more Cat machines, but was not sure he could afford it, given tight credit availability in the Dutch market. Pon Equipment, working closely with



Cat Financial Territory Manager Maikel Klaver and Sales Support Representative Florian de Haas, reviewed Cat Financial financing offers for which he qualified. This resulted in a Cat Financial line of credit being offered to the customer, which enabled him to purchase a new Cat® M313D Wheel Loader. Mr. Borg concluded the transaction by investing in a full-service and maintenance contract for the machines.

Mr. Borg is pleased with the new investments, and even more pleased are his operators who deal with the machines daily on the job site. Work is getting done more quickly and efficiently. At the end of 2013, Borg owned six Cat machines with plans to add more Cat® products to his fleet.

"For us, Caterpillar, Cat Financial and Pon Equipment BV are able to offer us trust, service and security for the continuation of my business," notes Mr. Borg. "The live demos, especially, convinced me that the Cat machines were for me. After all, you simply can't buy a machine from just seeing it in a brochure."

"This deal meant a lot to us at Cat Financial," says Territory Manager Maikel Klaver. "The collaboration with the dealer and the financing offers we were able to bring to the table resulted in additional machine sales, which is good for everyone. We gained a customer who previously financed with his local bank and turned him into a member of the Caterpillar family."

Caterpillar's Diversity & Inclusion Journey

At Caterpillar, diversity and inclusion are much more than a “nice to have” expression of good intentions. Instead, they are a crucial enabler of our strategy to build a competitive advantage.

“If Caterpillar is to win in the marketplace and in the war for talent, we need to engage people who are different from us,” says Latasha Gillespie, director of Global Diversity & Inclusion. “We’re not just talking about race, gender or ethnicity. We’re talking about diversity of thought and diversity of style. We’re talking about mid-career hires. It has been proven that companies with diverse teams outperform their competitors. Our global customers expect employees to understand their diverse cultures and business needs,” Gillespie adds.

Attracting and developing the best talent is a critical component of Caterpillar’s strategy. To achieve that goal, our human resources teams are focused on building diverse and inclusive teams where the uniqueness of individuals is respected and their different points of view are valued.

Since establishing a Global Diversity & Inclusion Office nearly 10 years ago, Caterpillar has taken significant strides in diversity and inclusion, and this past year was no exception. In 2013, DiversityInc., an internationally recognized resource on diversity management, named Caterpillar to the “25 Noteworthy Companies” list and the “Top 10 Companies for Veterans” list.

Additionally, more than 70,000 employees across the globe participated in the inaugural Inclusion Survey. The results from the survey are helping Caterpillar leaders to understand and leverage our strengths as well as to identify disparities that may exist as a result of differences experienced by various employee demographic groups. In the first year of completing the survey, Caterpillar placed in the top five percent among benchmarked companies conducting their inaugural survey.

Employee Resource Groups (ERGs) are an important component of our diversity and inclusion strategy. ERGs are employee-driven and represent independent, voluntary, nonprofit groups of employees who share common interests and an approved business purpose. Today, there are 12 unique ERGs with a total of 85 chapters and more than 9,000 global members. The ERGs bring value to the business by mentoring employees, facilitating leadership and career development seminars, volunteering in the community and hosting potential employees, dealers, customers and suppliers.

“Our commitment to diversity and inclusion allows our company to thrive in the global marketplace,” says Kim Hauer, vice president and Chief Human Resources Officer. “The world is changing, the talent pool is different, customers’ expectations have evolved and so must we in order to maintain our global market leadership position. By becoming even more diverse than we are today and building an inclusive environment, we will be able to attract and retain the very best people, uncover new and innovative ideas and, ultimately, ensure the success of our customers who make progress possible around the world.”

Caterpillar ERGs

- Caterpillar African American Network
- Caterpillar Armed Forces Support Network
- Caterpillar Asian Indian Community
- Caterpillar Chinese Resource Group
- Caterpillar Experienced Professional Direct Hire Resource Group
- Caterpillar Korean Resource Group
- Caterpillar Lambda Network
- Caterpillar Latino Connection
- Caterpillar Middle Eastern Resource Group
- Caterpillar Women’s Initiatives Network
- Caterpillar Young Professionals Resource Group
- Champions of Challenge Resource Group

Shop Floor Mobility – Powering Caterpillar’s Performance through Excellence and Innovation

One of the most important disciplines in Lean manufacturing, “standard work” provides a clear description of the safest, highest-quality and most efficient way to perform a given task. Yet it can be challenging to make this voluminous information immediately accessible to employees when and where they need it. A new shop floor mobility initiative, implemented by Global Information Services, uses tablets to put standard work resources literally at the fingertips of assemblers at our Decatur, Ill., manufacturing facility.

Before shop floor mobility, assemblers at the facility either had to climb off the work platform and walk back to a terminal to check standard work or attempt to recall it from memory. With an average of 200 minutes of standard work to complete on a truck, the time required to retrieve information added up quickly.

The shop floor mobility initiative makes standard work accessible on the machine that an assembler is building, through a tablet with a specially designed magnetic case. It requires only a click to rotate a picture, zoom into the picture for a more detailed view or access additional information. Engineering changes are automatically updated and operation signoffs happen the moment a task is complete – making real-time, controlled data easily accessible throughout each work shift.

Each assembler, line by line on every assembly line in Decatur was trained to use the tablets. Battery life extends for a full shift, and feedback from the assemblers indicates that the quality of the visual aids is superior to legacy systems. Mobility is helping Caterpillar’s Decatur facility reach our vision to be the world’s premier truck facility.

The Decatur deployment is just the beginning of shop floor mobility. The concept has been replicated in Aurora and in Brazil. Cat® dealers are also exploring the benefits of shop floor mobility for service technicians. Bringing shop floor technology to match the modern factory is just one way we are powering performance through technology.





LAW AND PUBLIC POLICY

Law and Public Policy is built to sustain Caterpillar's world-class reputation. The organization includes the Legal Services Division and the Global Government & Corporate Affairs Division. Responsibilities include legal and compliance services, media relations, internal communications, government affairs advocacy, sustainability consulting and global environmental, health and safety services. Support for the Caterpillar Foundation is also provided by our group, making sustainable progress possible around the world. We are a global team, focused on serving our customers, communities and countries.

A close-up photograph of a hand holding a wooden gavel, poised to strike a wooden block. The background is blurred, showing what appears to be a courtroom setting with other wooden blocks.

+80%

Caterpillar legal professionals who participate in the Caterpillar pro bono program

14,000

Number of pending and granted patents worldwide managed by our Intellectual Property Group

87%

The Enterprise Recordable Injury Frequency (RIF) has fallen 87% from 2003 to today

COMMON GROUND

Pro Bono Has its Benefits

**A Conversation with Jim Buda,
Executive Vice President & Chief Legal Officer**



Caterpillar's legal services team has a reputation for "pro bono" work. What exactly does that mean?

The words "pro bono" come from the Latin "pro bono publico," which means "for the public good." It describes providing professional services to those in need and is often associated with providing free legal services to people who could not otherwise afford them. Caterpillar encourages all types of volunteer work, and we're proud to provide volunteer legal assistance throughout the world.

In an age of limited corporate resources, why does Caterpillar continue to put such an emphasis on community service and pro bono work?

First and foremost, it's important to give back to our communities. If we can help an individual who is struggling, then we need to do so. The pro bono work we do gives our lawyers and legal professionals an opportunity to help people. It is also a recruiting tool; candidates like the fact that Caterpillar offers a more balanced life than a career at a law firm might, plus a clear opportunity to engage in pro bono work. There's a great sense of teamwork among our team, and part of that is due to our shared commitment to serve the communities where our people live and work.

What type of pro bono work does Caterpillar's legal services team typically perform?

We often provide individual services such as helping someone obtain a protective order. Or we might hold a clinic to help small businesses determine whether they have proper insurance coverage or whether they need to be incorporated. For our non-U.S. lawyers, who live in places where pro bono legal work is not as customary, we give them the opportunity to partner with outside counsel or other Caterpillar lawyers on projects for humanitarian organizations.

How do members of your department balance their time between their day jobs and their pro bono projects?

Very carefully. Caterpillar is our main client, so we get the job done for Caterpillar first – all other work comes second. But our people are great at managing work, and the pro bono program is something that is important to us. We don't require anyone to participate in the pro bono program, but more than 80 percent of our legal professionals do. In 2013, we donated more than 1,500 hours of legal services throughout the world, which amounts to well over a half million dollars of pro bono legal work. Plus, Our Values in Action include integrity, excellence, teamwork, commitment and sustainability, and I think that's part of what drives our passion.

Beyond legal services, what other types of community service does the Law and Public Policy group engage in?

Caterpillar employees are very generous with their time and demonstrate the community spirit that is embedded in Our Values in Action. We encourage all of our colleagues worldwide to donate their time. The Caterpillar Foundation is supported by our group, and that drives home the need to help others. From cleaning up a park to building homes, or volunteering with Junior Achievement or the United Way, our team is always ready to reach out and get the job done.



Protecting Valuable Innovations and Treasured Brands

Throughout our history, Caterpillar has been an industry leader in technological innovation. A long list of notable inventions has originated from the creative minds of our engineers and scientists, including early models of track-type tractors, elevated sprocket undercarriages in the 1980s, computer-aided earthmoving systems in the 1990s and, most recently, Tier 4 emissions management technologies and hydraulic hybrid technologies. Today, Caterpillar invests around four percent of annual sales in research and development, producing breakthroughs that expand our offering and improve existing products. It is only through a world-class Intellectual Property Protection Program that Caterpillar can protect this investment from being copied by competitors.

As Caterpillar has expanded its product and technology development efforts and acquired other businesses, our patent portfolio has doubled and our collection of brand names now numbers more than 20. These intellectual property assets create a competitive advantage and represent a barrier to entry for competitors and potential competitors in the global marketplace. Caterpillar is regularly listed among the top 100 corporations in the number of patents issued by the U.S. Patent and Trademark Office each year.

The Intellectual Property Practice Group of the Legal Services Division works hand-in-hand with Caterpillar's engineers, scientists and marketers to identify, develop and protect Caterpillar's innovations and trademarks. The practice group manages about 14,000 pending and granted patents worldwide. The group collaborates with the chief technology officer and product managers to identify intellectual property strategies unique to each of Caterpillar's businesses – work that helps ensure that Caterpillar's intellectual property portfolio continues to generate shareholder value. This practice group also protects Caterpillar's brands by obtaining and enforcing trademarks worldwide. The group manages about 12,000 trademark applications and registrations to support brand value, coordinating closely with brand management and marketing groups.

Cat® products are both popular and valuable – our brand ranks among the top 60 most valuable global brands – and to protect that value, the Intellectual Property Practice Group directs an active worldwide enforcement program. The team works closely with Caterpillar's global security groups to identify and stop individuals and companies that attempt to trade on Caterpillar innovations and brands or that attempt to sell counterfeit products. The practice group coordinates and manages more than 9,000 enforcement matters annually, shutting down websites, online auctions and other unauthorized uses of Caterpillar's intellectual property. Their efforts protect some of the world's most prized commercial assets – work that benefits our stockholders, our customers and all our stakeholders.



Supporting Girls Today So They Can Lead Tomorrow

Photo courtesy of INSIDER IMAGES/Stuart Ramson for the UN Foundation.

Caterpillar enables the growth of our world through infrastructure and energy development. Our solutions support communities and protect the planet, and the Caterpillar Foundation shares these values in the communities where we live and work. The Caterpillar Foundation believes girls and women hold the key to addressing the world's toughest challenges. By focusing on turning the spiral of poverty into a path to prosperity by investing in those proven to yield the best results – women and girls – the Foundation makes sustainable progress possible.

The Caterpillar Foundation works with the United Nations Foundation to impact people and communities in need. The UN Foundation's "for girls, by girls" Girl Up campaign motivates and trains thousands of girls in the U.S. to become global leaders and to advocate for girls around the world.

With this partnership, girls are given the opportunity to become educated and are empowered to be healthy, safe, and leaders in their communities. According to Girl Up, there are more than 600 million adolescent girls living in developing countries today who struggle for the opportunity to attend school, obtain medical care or be involved in community life.

According to the UN Foundation, today more than 66 million school-age girls do not attend school, 496 million over the age of 15 cannot read or write and 33 million fewer girls than boys attend primary school worldwide. Removing the barriers that girls face in accessing education – hurdles that boys are less likely to encounter – is the primary focus of the Foundation's investment in the Girl Up campaign.

The Caterpillar Foundation is investing in the programmatic work of Girl Up to help bring awareness to the challenges of educating girls through the work of the United Nations. According to the UN Foundation, an educated girl can break the cycle of poverty within a single generation, and an extra year of school boosts girls' eventual wages by



(Left) Photo courtesy of INSIDER IMAGES/Stuart Ramson for the UN Foundation.

(Right) Photo courtesy of Nathan Mitchell.

percent. When the number of girls attending school increases by 10 percent, a nation's Gross Domestic Product (GDP) increases by 3 percent. A typical girl who receives an education reinvests 90 percent of her income in her family and local community.

For these reasons and others, we believe girls and women in every geographic region will be essential contributors to a more equitable and prosperous tomorrow. The Caterpillar Foundation continues to invest in innovative programs that offer girls the necessary opportunities to lead the next generation. The progress of our company and world depends on their future.

Caterpillar Inc. supports the philanthropic efforts of the Caterpillar Foundation. Founded in 1952, the Caterpillar Foundation has contributed more than \$550 million, including \$58 million in 2013, to help make sustainable progress possible around the world by providing program support in the areas of environmental sustainability, access to education and basic human needs.

Read more about the Caterpillar Foundation on page 60.

Sustaining a World-Class Ethics and Compliance Culture

Today, Caterpillar operates in an unprecedented global regulatory enforcement environment. The compliance expectations of government regulators, investors and Caterpillar's Board of Directors have never been higher. We embrace those high expectations and are committed to continuous improvement as we work to strengthen a world-class ethics and compliance culture.

Our global footprint, key markets, growth strategy and business model put the need for a robust and effective compliance program at the forefront of our operations. If a violation were to occur, the resulting cost, reputational harm and destruction of shareholder value cannot be overstated. Many multinational corporations are dedicating tremendous resources to compliance, but many have done so only after suffering the devastating consequences of an avoidable compliance event.

Caterpillar's objective is to be proactive and aggressively get in front of this expanding risk. Processes and procedures are designed to ensure we have an organization that operates in accordance with internal controls, within the law and on the firm foundation of Our Values in Action. It adds up to a company we can all be proud of and one that our employees, stockholders and customers can rely upon.

Caterpillar's compliance transformation began several years ago. We built and continue to invest in an Ethics & Compliance Program with a focus on compliance assurance. Enterprise risk owners for each of 16 compliance risk areas have defined policies, procedures, tools and a compliance audit program designed to drive accountability for compliance at all levels of the enterprise. As a part of Caterpillar's Anti-bribery Compliance Program, we have implemented a risk-based approach and common processes to mitigate bribery risk. Policies



and procedures are in place to review third parties with whom we do business and to evaluate requests for travel, gifts and entertainment for government officials.

We recognize that acquisitions can potentially introduce new risks. Caterpillar conducts risk-based due diligence on potential acquisitions, and we carefully integrate acquired companies into our processes. In addition, independent investigation and compliance audit processes have been designed and executed. Training for the general employee population also has been enhanced, and thousands of employees in high-risk job functions receive additional training each year. The program is a virtuous circle of continuous improvement that mitigates compliance risks for Caterpillar around the globe.

Safety: Progress Toward Achieving an Ambitious Vision

At Caterpillar, there is no number bigger than zero.

Zero is the aspirational target expressed through Vision Zero: zero accidents and injuries across the enterprise. Although the vision has not yet been fully realized, our progress has been remarkable. In fact, Caterpillar has never been a safer place to work.

During the past decade, the enterprise Recordable Injury Frequency (RIF) has fallen more than 87 percent – from 6.22 in 2003 to .78 today. RIF defines the number of injuries severe enough to require medical treatment per 200,000 hours worked. That data translates to more than 52,000 workplace injuries that have been avoided since 2003.

“Zero injuries – that’s our goal,” says Chairman and CEO Doug Oberhelman. “It will not be easy to achieve, but it’s certainly not impossible. We simply will not be satisfied unless everyone gets safely home every single day.”

The enterprise-wide RIF of .78 represents an all-time low for recordable injuries – a metric that can be attributed to strategic safety initiatives and support from executive leadership, as well as a commitment to safety from employees across the globe.

Global Environmental Affairs, Health and Safety (Global EHS) is the organizational owner of the EHS Assurance Manual, which identifies the fundamental environmental and safety issues that all Caterpillar facilities must address.

“While Global EHS sets the policies for the enterprise, our improvement is due to our employees and leaders who put safety first. An RIF number of .78 illustrates that the safety of our people is a primary focus in everything we do,” says Andy Schneider, Global EHS Manager.

In 2013, 28 out of 36 divisions met or exceeded their RIF targets, and Caterpillar exceeded the 2013 enterprise-wide RIF target by 23 percent.

Achieving Vision Zero will require a continued commitment to safety and a continuing commitment to develop our culture of safety.

“Our work on safety will never be done,” Oberhelman says. “Every day we have to maintain our focus and recommit to making our workplace safe for everyone.”



RESOURCE INDUSTRIES

Resource Industries is built to support customers using machinery in mining and quarrying applications. Responsibilities include business strategy, product design, product management and development, manufacturing, marketing and sales and product support. The product portfolio includes large track-type tractors, large mining trucks, underground mining equipment, electric rope shovels, draglines, hydraulic shovels, drills, highwall miners, tunnel boring equipment, large wheel loaders, off-highway trucks, articulated trucks, wheel tractor scrapers, wheel dozers, select work tools, forestry products, paving products, industrial and waste products, machinery components and electronics and control systems. Resource Industries also manages areas that provide services to other parts of the company, including integrated manufacturing and research and development.

Sales

(\$ in millions)

\$21,158 \$13,270



2012 2013

Segment Profit

(\$ in millions)

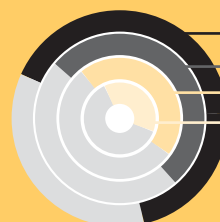
\$4,318 \$1,575



2012 2013

2013 Sales by Geography

(\$ in millions)



- North America \$4,443
- EAME \$3,241
- Asia-Pacific \$3,105
- Latin America \$2,481

Mining Fundamentals Remain Positive

**A Conversation with Steve Wunning,
Group President**



How does Caterpillar manage the cyclical nature of the mining business?

The mining industry has always been a cyclical one. Caterpillar looks at the mining industry both from short-term and long-term perspectives. Mining industry production in 2013 was higher than it was in 2012, and we expect both production and resource consumption to be even higher in 2014. Commodity prices for coal, copper and iron ore are stabilizing. So, from a short-term point of view, mining production is on the upswing, which means Caterpillar should eventually see higher mining equipment sales down the road.

Beyond this current cycle, what's the long-term outlook for mining?

The long-term fundamentals are very positive. The world's population is growing at a rate of about 6.5 million people every month, and that's going to continue month in, month out for the foreseeable future. The standard of living for people in developing countries will almost double between 2010 and 2018, and by 2035 it's expected that 60 percent of the world's population will live in cities. All of this growth is going to increase the demand for mining. And remember that the richest, easiest ore bodies have already been mined. One driver of Cat® mining products is the amount of material that must be moved in order to get at the remaining minerals. Declining ore resources and harder-to-get-to ore bodies are going to really drive the demand for our products, in addition to increasing consumer demand.

How will autonomous mining change the industry in the coming years?

I talk to mining executives around the world, and, in almost every case, they want to know about Cat® autonomous mining vehicles. These machines can help increase their productivity and equipment utilization because

the vehicles operate 24 hours a day, seven days a week. Not only does autonomous mining offer increased productivity, but customers can also lower their operating costs because fewer people will be required at the mine sites. This is a key consideration since many of these mines are located in remote areas where people need to be transported to and from the location. There's also a lot of interest in autonomous machines because they can actually improve mine safety – putting fewer people in and around mining operations.

Why does coal continue to be an attractive energy source?

Coal is easy to find, safe to transport, and low in cost. And coal can be cleaner with the right technology and the right investment. Today, coal provides about 35 percent of the electricity in the world, and experts say that the demand for electricity between 2010 and 2040 is going to increase about 90 percent. These experts also say that coal will meet about a third of that electricity demand, so, with the right strategy, coal can have a positive future.

Is it possible for coal to be a sustainable energy source going forward?

Coal and sustainability are not two words frequently used in the same breath. One aspect of sustainability concerns the environment, of course, but another concerns improving the living standards of people around the world. Currently, more than 1 billion people do not have access to electricity, including more than 50 percent of the population of Africa. If we can provide energy access for these people, their living standards will increase and economic development will increase – creating more jobs, improving education and helping provide a better way of life. We have to balance our environmental concerns, which are critically important, with improving living standards and making the world a better place to live. Coal and other forms of energy need to be part of that sustainable solution.

Caterpillar Product Development Community Brings Innovation to Bear

The future holds many challenges for Caterpillar customers. Our global product development community is working now to bring innovation to bear on those future challenges, and turn them into opportunities for long-term success.

In recent years, Caterpillar's product development has largely focused on one of the most significant opportunities in our history: compliance with Tier 4 emissions standards in the United States and Stage IV emissions standards in the European Union (EU). Since the implementation of Tier 1 and Stage I emissions standards in 1996, these challenging regulations have driven an extensive overhaul of our product lines to reduce emissions by about 90 percent over a 20-year period. With the final phases of both standards nearly upon us, the competitive landscape is changing rapidly as we move into a market where customer needs, rather than regulatory compliance, will drive product development.

This means Caterpillar must innovate to differentiate our products and solutions from the competition in order to meet customer needs better than ever before. Technology is key to this effort and will ensure we are well-positioned to meet these needs. In 2011, Caterpillar's product development community began to develop an enterprise product and technology strategy by exploring how key trends, business demands, sustainability and other forces will impact our customers. This community then worked backward to identify key themes and technologies. The result was an integrated product and technology strategy to guide us into the future.

The strategy encompasses three themes – Energy and Power Systems, Machines and Machine Systems and Automation and Enterprise Solutions. Each theme includes customer-focused goals that serve as targets against which progress can be measured. Research activities currently underway within these areas include efforts to reduce customer owning and operating costs, improve productivity, enhance safety and reduce greenhouse gas emissions.

We're making great progress so far. The strategy is coming to life in various forms, one of which is technology demonstrations. These events showcase key new technologies and system solutions to the enterprise. The benefits of these demonstrations are two-fold: product and component groups get to explore new technologies and maximize potential applications, while their interest and response helps set the velocity for further development of these technologies. Eight technology demonstrations were held in 2013.

While it is important to innovate and explore many new ideas, only those technologies that can be integrated into new products and provide customer value move forward in the development process. Progress is measured by tracking technology transfers. These occur when a new technology has developed and matured enough to meet a comprehensive set of agreed-upon requirements, known as Technology Readiness Levels, or TRLs. At TRL 4, the new technology is adopted by a component or product group for commercial use. Last year, over 25 technologies reached this level and transferred to groups for use in our products.

"Our team is successful when we develop technologies that make their way from research into commercialization and bring value to our customers," explains Lou Balmer Millar, director of Research and Advanced Engineering for the Product Development & Global Technology Division. "We do this through enterprise alignment, technology leverage, collaboration and assurance of technology readiness upon transfer to product groups. We're thrilled to be part of the global Caterpillar team working together to achieve common enterprise technology goals."



Transforming One Great Brand into Another

Unit Rig has been a pioneer in electric drive trucks for more than 50 years. After Caterpillar's acquisition of Bucyrus in 2011, the Unit Rig™ truck product line became part of the Caterpillar family. Almost immediately, both Caterpillar and Unit Rig engineering teams began working to integrate Cat components into the trucks. The goal was to ensure that our customers would have one dependable source for all their parts and that both Caterpillar and Cat dealers could maximize their return on investment from using proven components – all while meeting the performance expectations of our customers.

In just three months, our engineering teams installed a Cat engine in the existing Unit Rig™ MT4400. The initial truck has now clocked more than 6,000 hours in the field without any major issues, giving dealers confidence in the quality of the design and manufacturing of the project. Following this success, we undertook the next step by adding proven Cat electric drive system and Cat® electronics to the Unit Rig MT4400 with the end result of the new truck becoming the Cat® MT4400D AC Mining Truck. This new Cat® truck was successfully developed and tested in just over six months.

Next on the drawing board was a brand new 320 ton Cat truck. In less than nine months, engineering teams designed and built the prototype for the Cat® MT5300D AC Mining Truck. The 320 ton (290 tonne) truck is based on designs from the Unit Rig MT5500 and MT6300 trucks, as well as the drive system and engine from the Cat® 795F AC Mining Truck. By early 2013, the Unit Rig MT4400D AC and Unit Rig MT5300D AC were officially branded as Cat trucks, and are now known as the Cat MT family in the large mining truck product line.

Meanwhile, in the field, a Cat dealer received the first pilot Cat MT4400D truck for a customer site. For this first field truck, we set aggressive goals – clock 600 hours of truck operation at or above 85 percent availability with downtime at less than 3 percent during the first month of operation. The Cat dealership supported this endeavor by having their

technicians undergo training and take part in the truck's assembly. The truck clocked 605 hours and achieved an availability of 95.5 percent in its first month of operation. The downtime was negligible and the customer's feedback has been very positive, saying the integration of Cat and Unit Rig components has proven to be a great success.

Like the Cat MT4400D AC, the Cat MT5300D AC is also demonstrating success. The first pilot Cat MT5300D AC was built two months ahead of schedule in order for a key mining customer to showcase the truck at their annual meeting. Excellent collaboration with the dealership and the Caterpillar engineering teams made that possible. Performance results also have been strong. In its first 31 days, the Cat MT5300D AC clocked over 609 hours and operated with 95.5 percent availability.

By leveraging our proven Cat components, maximizing research and technology dollars and, most importantly, staying connected to our customers, the entire extended Caterpillar family is benefiting from the success of the transformed Unit Rig trucks.

The Unit Rig to Cat Truck Journey

- Historically, some Unit Rig trucks have set records in annual operating hours, clocking over 8,136 working hours during the first year of operation.
- Unit Rig trucks have a significant presence in Australia, China, India, Mongolia, Africa and Russia.
- Today's Cat MT family of mining trucks leverage the engineering and technological experience from thousands of Unit Rigs trucks in service.
- The Cat MT family of large mining trucks currently has two models in production – the Cat MT4400D AC, which is in the 240 ton (218 tonne) size class, and the Cat MT5300D AC, which is in the 320 ton (290 tonne) size class.

Cat® 988K Large Wheel Loader – A Technological Showpiece



The seventh-generation Cat® 988 Wheel Loader, the Cat 988K, drove off the line in 2013 – an incredible accomplishment that many of our competitors may never be able to achieve. This award-winning model, celebrating its 50-year anniversary, combines long life, reliability, improved fuel efficiency and performance that are at the core of the Cat brand. The Cat 988K is a great example of how these technological advancements have benefited Caterpillar.

Developing a world-class product like the high-tech Cat 988K Wheel Loader takes a tremendous team effort. At the core of this development were technologies that Caterpillar invested in to improve the way we work as a team. Utilizing new Voice of the Customer software, the marketing team worked hard to understand what customers want. Customers were even brought in to our 3D lab to collaborate with the team using scale-size 3D virtual models. Engineering teams extensively used Virtual Product Development – detailed computer simulations of everything from bolted joints, to powertrain, to structures, to the manufacturing process itself – allowing the team to test ideas and iterate virtually, shrinking development time and costs by over 30 percent.

Not only has technology improved team collaboration, but it is also at the core of the Cat 988K features and benefits:

- **Cat® C18 ACERT™** – The Cat 988K is the first machine to offer Tier 4 Final/Stage IV emissions for machines under 560 kilowatts (750 horsepower). This high-tech engine delivers more power while using less fuel and producing fewer emissions.

- **Eco Mode (On-demand Throttle)** – This new feature allows operators to maintain normal operation with the left pedal (brake/neutralizer pedal) and implements. Operators do not need to operate the engine throttle pedal since the machine systems manages engine RPM. Customers gain the efficiency of manual throttle and the ergonomics/ease of use of throttle lock. This feature helps the new Cat 988K reduce fuel consumption by up to 20 percent, compared to the earlier generation Cat 988H.

- **All New Operators Station** – The Cat 988K is all about operator comfort, and technology enables this. In-cab sound levels are considerably reduced to 71 A-weighted decibels, or dB(A), down from 74 dB(A) in the Cat 988H, and the cab temperature control is fully automatic and continuously variable. A new touch-screen color graphical display in the machine provides machine information and features Cat® Next Generation Vital Information Management System (VIMS).

- **Completely Integrated Systems** – One of the most prominent examples of technology on the Cat 988K is one that can only be appreciated by operating the machine. Using 50 years of experience with this wheel loader, the Cat 988K is the benchmark in system integration. All of our machine systems work seamlessly together to ensure our customers move more and make more with our Cat 988K.

Caterpillar Celebrates Important Anniversaries in Japan

Employees in Japan marked two very important anniversaries in 2013 – the 50th anniversary of Caterpillar operations in Japan and the first anniversary of Caterpillar Japan Ltd. becoming fully integrated into the Caterpillar family.

The history of Caterpillar's operations in Japan began in the Sagami facility 50 years ago. Since its construction in 1964, Sagami has helped bring a wide range of products to the marketplace – including the legendary Cat® D4D Track-Type Tractor first produced in 1965. The products delivered from the Sagami facility have played significant roles in the construction of highways and dams, and made invaluable contributions to Japan's economic growth. Along the way, Sagami has become a leader in building strong supplier relationships, aligning key suppliers to meet our business needs.

Caterpillar's first hydraulic excavator to be manufactured in Japan, the Cat Y35, was made in Akashi. Since then, Akashi has become the primary plant and an enterprise leader in the development and production of hydraulic excavators, with the ability to produce 100 excavators per day. The Akashi facility has become an enterprise benchmark for implementation of the Caterpillar Production System and highly efficient supply chain.

The Hydraulic Excavator Design Center (HEDC) in Akashi is a key Caterpillar product development center. HEDC has developed products such as the E-series and award-winning Cat® 336E Hybrid Excavator that are distributed to satisfied customers in markets all over the world.

Another important anniversary occurred in 2013. In 2008, Caterpillar and Mitsubishi Heavy Industries Ltd. announced that Caterpillar would become the majority owner of Caterpillar Japan Ltd. (CJL), a joint venture between the two companies. CJL began integration efforts into Caterpillar's business and processes and then in 2012, the companies

announced that Caterpillar would take sole ownership of CJL. Throughout 2012 and 2013, former CJL employees were fully transitioned into the Caterpillar family. The one-year anniversary of CJL becoming wholly owned by Caterpillar, further strengthening our presence in Japan, was celebrated throughout the enterprise.

"Over the past 50 years, while we have collectively made great progress in Japan, the real power of the relationship and history is based on the impact it has had on Caterpillar around the world," says Ed Rapp, group president with responsibility for Construction Industries. "The Japanese team's outstanding capabilities in manufacturing excellence, supplier integration, implementation of the Caterpillar Production System, continuous improvement and design capabilities have become benchmarks for the enterprise."



An employee puts the finishing touches on a Cat 320 Hydraulic Excavator in 1990 (top photo). The audience admires the first Cat D4D produced in Sagami in 1965 (bottom photo).

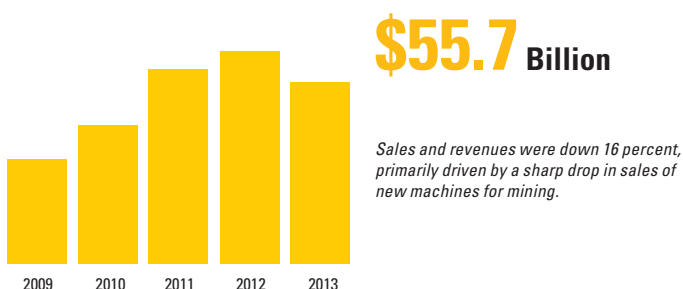


Financial Performance

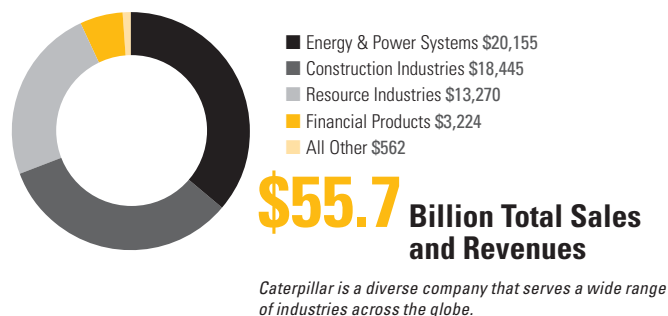
We are proud of the way our employees came together in 2013 in a challenging industry environment. Despite a decline in sales and revenues, Caterpillar set a record for Machine and Power Systems operating cash flow, strengthened our balance sheet and improved our overall market position for machines. In addition, we continued to improve the safety in our facilities and the quality of our products. Cost flexibility was critical to our strategy and was a significant focus in 2013 as we took substantial measures to help maintain profitability as sales declined. This was not easy, especially for our employees who endured a very tough year, but the actions we initiated helped us deliver strong operational performance in 2013.

CONSOLIDATED SALES AND REVENUES (\$ IN MILLIONS)

\$32,396 \$42,588 \$60,138 \$65,875 \$55,656



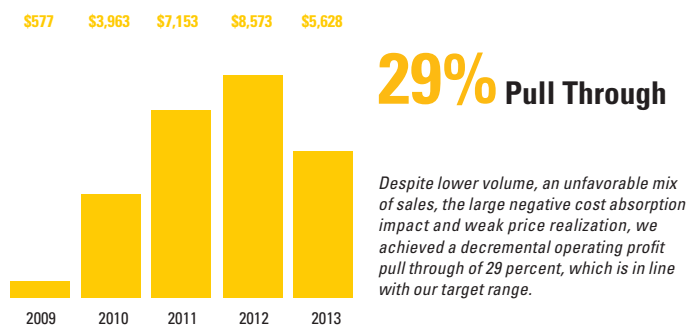
CONSOLIDATED SALES AND REVENUES BY SEGMENT (\$ IN MILLIONS)



2013 EXPORTS FROM U.S. BY REGION (\$ IN MILLIONS)

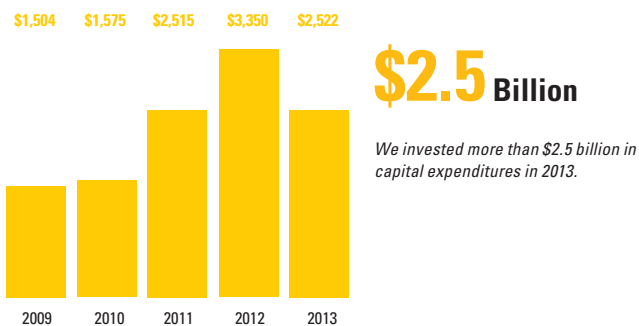


OPERATING PROFIT (\$ IN MILLIONS)

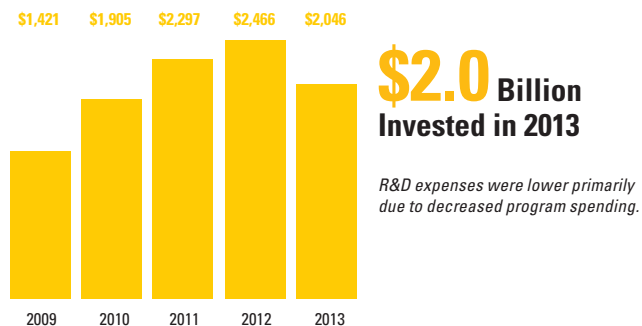


Financial Performance

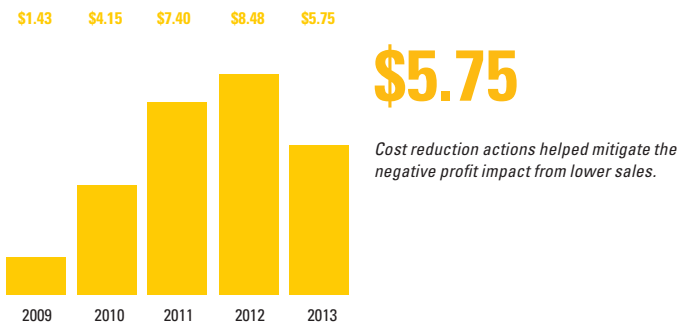
CAPITAL EXPENDITURES (EXCLUDES EQUIPMENT LEASED) (\$ IN MILLIONS)



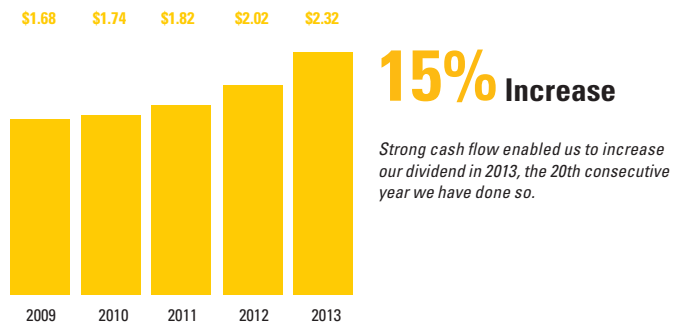
RESEARCH AND DEVELOPMENT (\$ IN MILLIONS)



PROFIT PER SHARE (DILUTED)



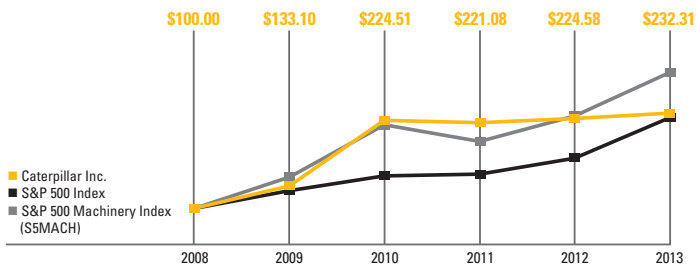
DIVIDENDS DECLARED PER SHARE



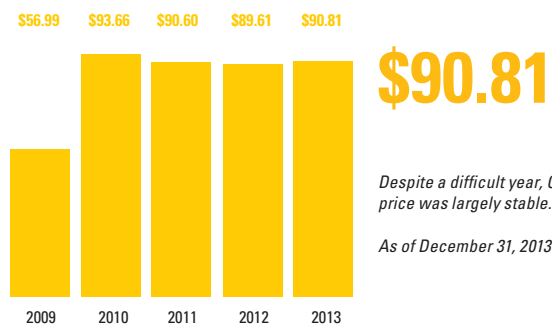


Market Performance

CAT VS. S&P MACHINERY INDEX



5-YEAR CLOSING STOCK PRICE



\$90.81

Despite a difficult year, Caterpillar stock price was largely stable.

As of December 31, 2013

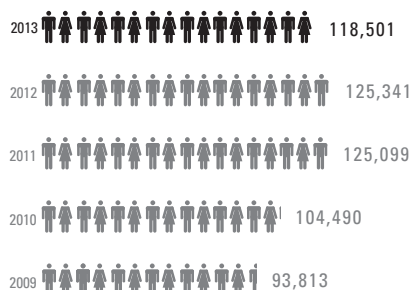
Cumulative stockholder return assuming an investment of \$100 on December 31, 2008, and reinvestment of dividends issued thereafter.

Caterpillar common stock is traded on the New York Stock Exchange under the symbol CAT.



Business Performance

GLOBAL EMPLOYEES (AT YEAR END)

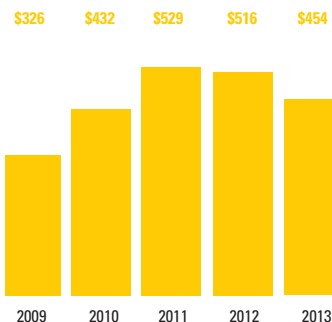


118,501

Employees

Our global workforce decreased 5.5 percent from 2012 primarily due to restructuring programs and lower production volumes.

GLOBAL SALES AND REVENUES PER EMPLOYEE (\$ IN THOUSANDS)

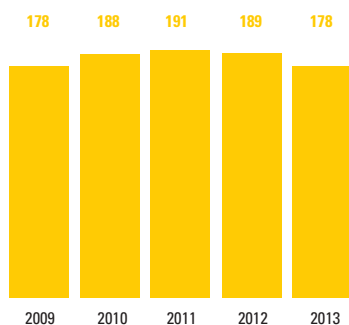


\$454,000

Per Employee

Sales and revenues per employee decreased due to lower sales volume.

GLOBAL CAT® DEALERS

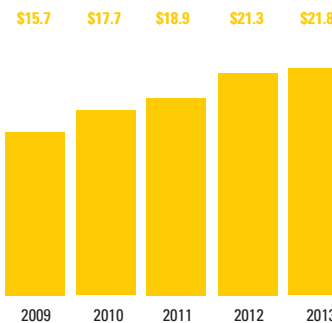


178

Global Dealers

Our dealer network is a key part of our Business Model and a competitive advantage.

DEALER NET WORTH (\$ IN BILLIONS)*



\$21.8 Billion

Most Cat® dealers are independently owned, locally operated businesses and benefit from strong, longstanding customer relationships.

DEALER EMPLOYEES (IN THOUSANDS)*



162,200

Dealer Employees

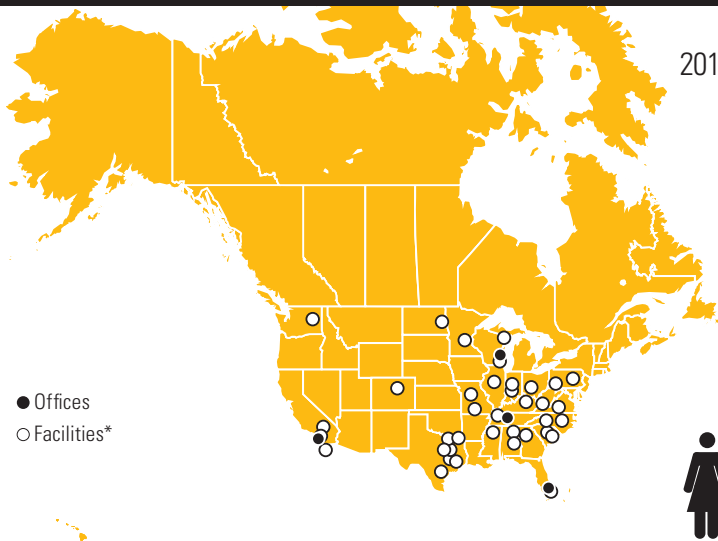
Cat® dealer employees are a critical link to servicing our global customer base.

*Estimated

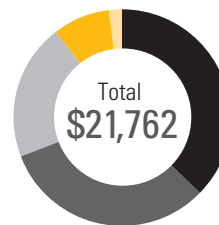


2013 Global Performance by Region

NORTH AMERICA



2013 Sales and Revenues by Segment (\$ in millions)



■	Energy & Power Systems	\$8,231
■	Construction Industries	\$7,008
■	Resource Industries	\$4,443
■	Financial Products	\$1,688
■	All Other	\$392

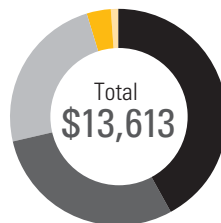
 **52,519**
Employees

 **53**
Dealers

*Facilities include principal locations where manufacturing, parts distribution, rail and remanufacturing work takes place. In certain geographic areas, the facility symbol may represent multiple facilities.

EAME

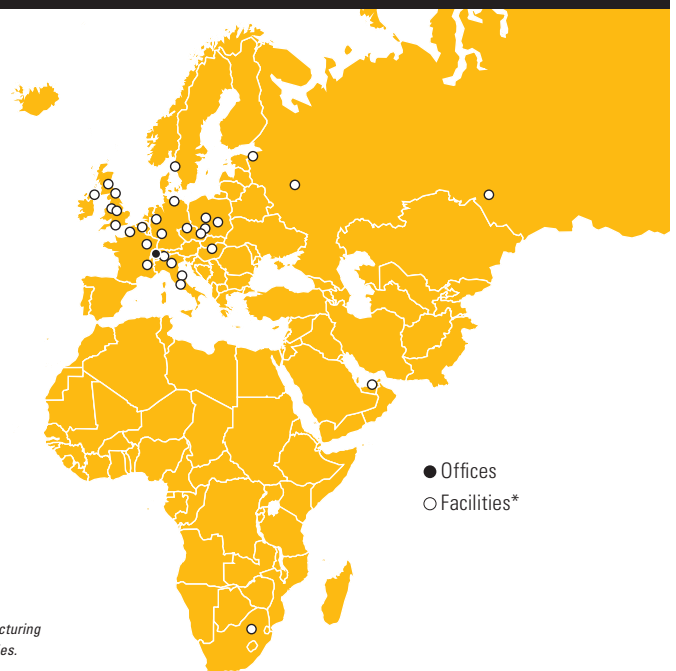
2013 Sales and Revenues by Segment (\$ in millions)



■	Energy & Power Systems	\$5,735
■	Construction Industries	\$4,019
■	Resource Industries	\$3,241
■	Financial Products	\$503
■	All Other	\$115

 **24,927**
Employees

 **49**
Dealers



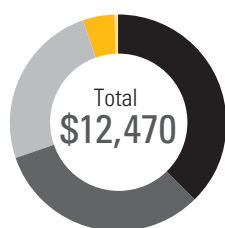
*Facilities include principal locations where manufacturing, parts distribution, rail and remanufacturing work takes place. In certain geographic areas, the facility symbol may represent multiple facilities.

2013 Global Performance by Region

ASIA-PACIFIC

2013 Sales and Revenues by Segment

\$ in millions



■ Construction Industries \$4,690
 ■ Energy & Power Systems \$4,021
 ■ Resource Industries \$3,105
 ■ Financial Products \$603
 ■ All Other \$51



25,670
Employees



43
Dealers

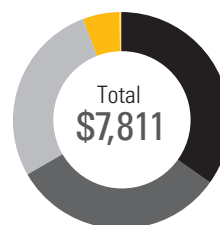
**Facilities include principal locations where manufacturing, parts distribution, rail and remanufacturing work takes place. In certain geographic areas, the facility symbol may represent multiple facilities.*



LATIN AMERICA

2013 Sales and Revenues by Segment

(\$ in millions)



■ Construction Industries \$2,728
 ■ Resource Industries \$2,481
 ■ Energy & Power Systems \$2,168
 ■ Financial Products \$430
 ■ All Other \$4

● Offices
○ Facilities*



15,385
Employees



33
Dealers

**Facilities include principal locations where manufacturing, parts distribution, rail and remanufacturing work takes place. In certain geographic areas, the facility symbol may represent multiple facilities.*



Five-Year Financial Summary

Dollars in millions except per share data

Years ended December 31,	2013	2012	2011	2010	2009
Sales and revenues	\$ 55,656	\$ 65,875	\$ 60,138	\$ 42,588	\$ 32,396
Percent inside the United States	33%	31%	30%	32%	31%
Percent outside the United States	67%	69%	70%	68%	69%
Sales	\$ 52,694	\$ 63,068	\$ 57,392	\$ 39,867	\$ 29,540
Revenues	\$ 2,962	\$ 2,807	\$ 2,746	\$ 2,721	\$ 2,856
Profit ⁴	\$ 3,789	\$ 5,681	\$ 4,928	\$ 2,700	\$ 895
Profit per common share ¹	\$ 5.87	\$ 8.71	\$ 7.64	\$ 4.28	\$ 1.45
Profit per common share — diluted ²	\$ 5.75	\$ 8.48	\$ 7.40	\$ 4.15	\$ 1.43
Dividends declared per share of common stock	\$ 2.320	\$ 2.020	\$ 1.820	\$ 1.740	\$ 1.680
Return on average common stockholders' equity ³	19.7%	37.2%	41.4%	27.4%	11.9%
Capital expenditures:					
Property, plant and equipment	\$ 2,522	\$ 3,350	\$ 2,515	\$ 1,575	\$ 1,504
Equipment leased to others	\$ 1,924	\$ 1,726	\$ 1,409	\$ 1,011	\$ 968
Depreciation and amortization	\$ 3,087	\$ 2,813	\$ 2,527	\$ 2,296	\$ 2,336
Research and development expenses	\$ 2,046	\$ 2,466	\$ 2,297	\$ 1,905	\$ 1,421
As a percent of sales and revenues	3.7%	3.7%	3.8%	4.5%	4.4%
Wages, salaries and employee benefits	\$ 10,962	\$ 11,756	\$ 10,994	\$ 9,187	\$ 7,416
Average number of employees	122,502	127,758	113,620	98,554	99,359
December 31,					
Total assets	\$ 84,896	\$ 88,970	\$ 81,218	\$ 63,728	\$ 59,842
Long-term debt due after one year:					
Consolidated	\$ 26,719	\$ 27,752	\$ 24,944	\$ 20,437	\$ 21,847
Machinery and Power Systems	\$ 7,999	\$ 8,666	\$ 8,415	\$ 4,505	\$ 5,652
Financial Products	\$ 18,720	\$ 19,086	\$ 16,529	\$ 15,932	\$ 16,195
Total debt:					
Consolidated	\$ 37,750	\$ 40,143	\$ 34,592	\$ 28,418	\$ 31,631
Machinery and Power Systems	\$ 8,775	\$ 10,415	\$ 9,066	\$ 5,204	\$ 6,387
Financial Products	\$ 28,975	\$ 29,728	\$ 25,526	\$ 23,214	\$ 25,244

1. Computed on weighted-average number of shares outstanding.

2. Computed on weighted-average number of shares outstanding diluted by assumed exercise of stock-based compensation awards, using the treasury stock method.

3. Represents profit divided by average stockholders' equity (beginning of year stockholders' equity plus end of year stockholders' equity divided by two).

4. Profit attributable to common stockholders.

Overview



Caterpillar Business Overview

Caterpillar is built to make sustainable progress possible around the world. Cat® equipment – a product line of more than 300 machines with more than 3 million units around the world – is at work for our customers on highways, rail lines, oceans and rivers, in forests, quarries and oil fields. Any job site you can imagine can put our products and services to work. We supply the machines, solutions and support so our customers can excel under varying terrain and climate conditions. Our engines and gas turbines provide the horsepower for customers to move goods and commodities across the globe, while generators deliver power wherever it is needed. Caterpillar's manufacturing excellence is supplemented by world-class service businesses, supported by logistics, financial products and remanufacturing.

Caterpillar Inc. owns a portfolio of brands. These brands help support our growth strategy and achieve our enterprise goals. The Caterpillar brand represents our corporation with the investment community, employees, public policymakers and other key stakeholders. Built on decades of performance, our portfolio of brands – including our primary brand name, Cat – provides quality, reliability and an assurance of the finest in design, engineering and customer service.

More information about Caterpillar can be found at caterpillar.com. For a complete overview of Cat products, services and solutions, please visit cat.com.

Major Product Groups

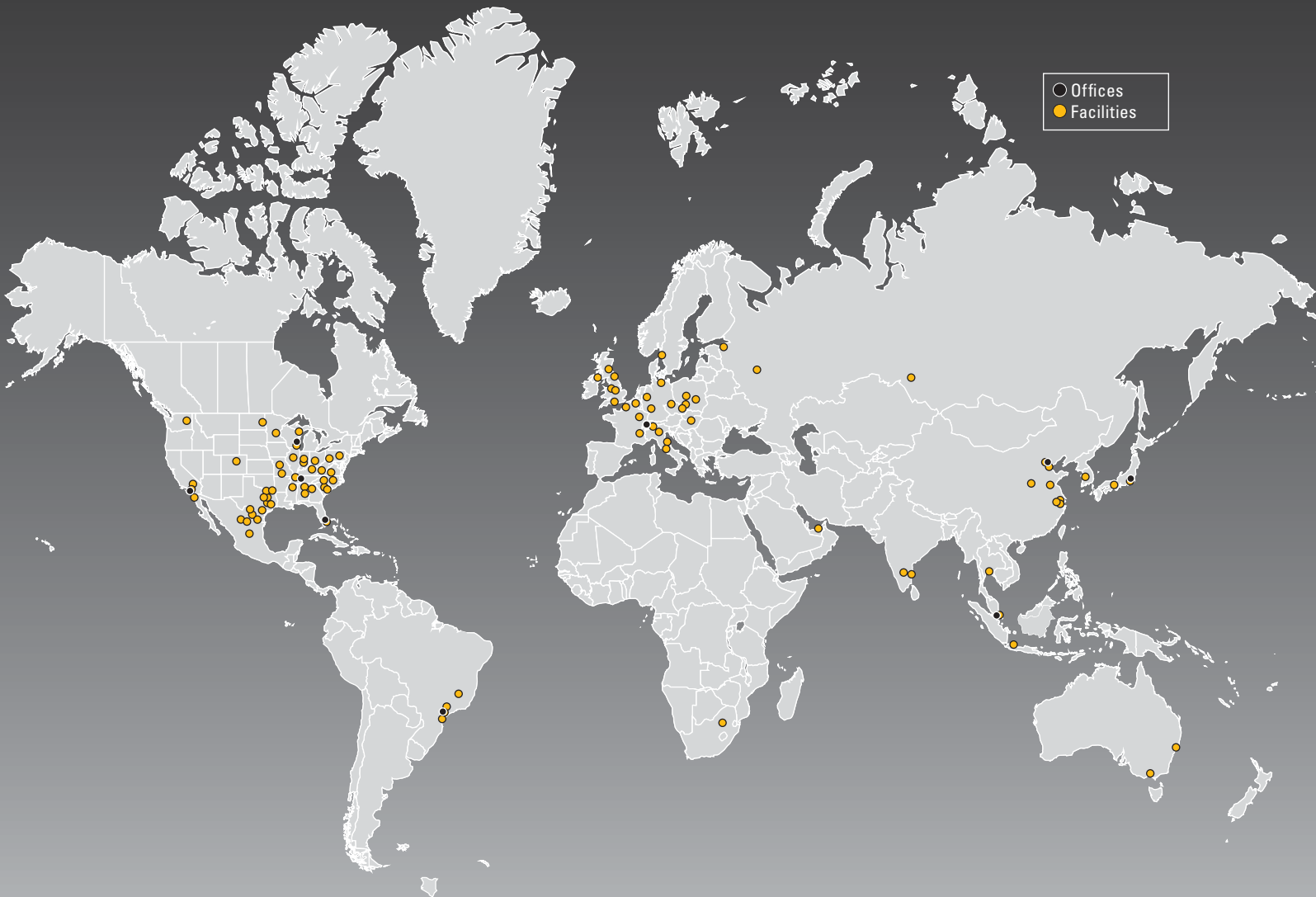
- Articulated Truck
- Compact Truck and Multi Terrain Loader
- Dragline
- Drill
- Electric Rope Shovel
- Engine
- Generator Set
- Highwall Miner
- Hydraulic Excavator
- Hydraulic Shovel
- Locomotive
- Marine Propulsion Systems
- Motor Grader
- Off-Highway Truck
- On-Highway Truck
- Pipelayer
- Skid Steer Loader
- Track Excavator
- Track Loader
- Track-Type Tractor
- Tunnel Boring
- Turbine
- Wheel Dozer
- Wheel Excavator
- Wheel Loader
- Wheel Tractor-Scraper
- Work Tools and Attachments

Major Service Areas and Industries Served

- Agriculture
- Construction
- Customer Services
- Demolition and Scrap Recycling
- Electric Power Generation
- Financing
- Forestry
- Governmental & Defense
- Insurance
- Landscaping
- Locomotive & Railway
- Maintenance and Repair
- Marine
- Material Handling
- Mining
- OEM Solutions
- Oil & Gas
- Paving
- Pipeline
- Power Plants
- Quarry, Aggregates and Cement
- Remanufacturing
- Rental
- Safety
- Training
- Technology & Solutions
- Waste

Overview

Global Footprint



Facilities include principal locations where manufacturing, parts distribution, rail and remanufacturing work takes place. In certain geographic areas, the facility symbol may represent multiple facilities.

Caterpillar Foundation

MAKING SUSTAINABLE PROGRESS POSSIBLE.

OUR MISSION:

Turn each **spiral of poverty** in impoverished communities into **paths to prosperity**.
We can do this by investing in the right initiatives that are proven to yield the best results:
the education and development of girls and women.



HOW DO WE ACHIEVE SUSTAINABLE PROGRESS?

We have strategic partnerships with education, environment and emergency relief organizations to alleviate poverty and empower people, especially girls and women, to achieve their full potential.

EDUCATION

ENVIRONMENT

EMERGENCY
RELIEF

FOCUS AREAS

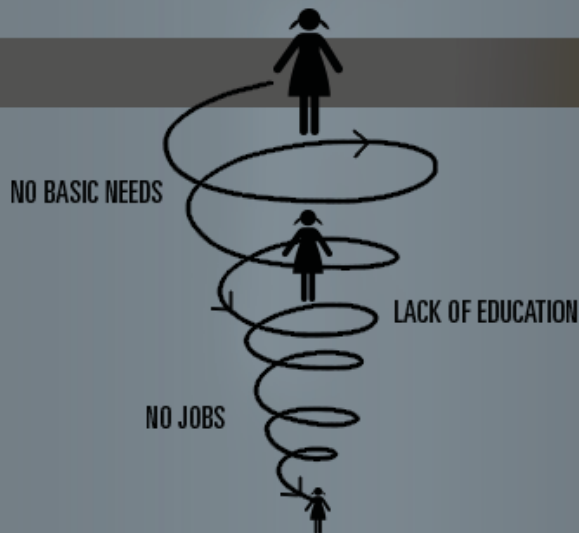
SPIRAL OF POVERTY

GIRLS & WOMEN

Caterpillar Foundation

MAKING SUSTAINABLE PROGRESS POSSIBLE.

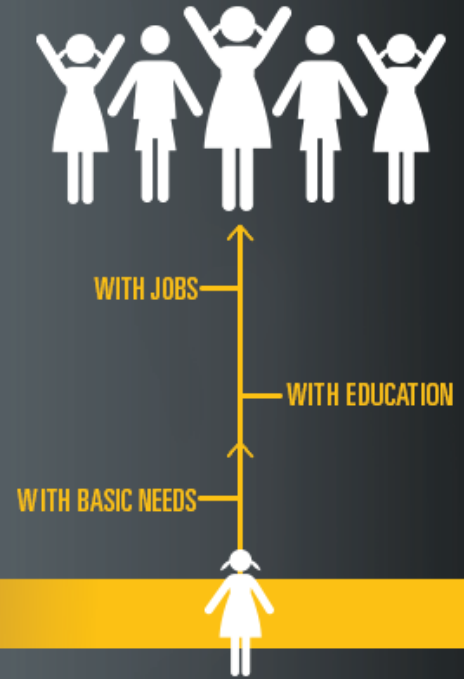
THE SPIRAL OF POVERTY



Girls become pregnant at a young age and are unable to care for their children. The spiral of poverty repeats across generations.

VS

Results in active community leaders who are able to help others.



THE PATH TO PROSPERITY

Caterpillar Foundation

MAKING SUSTAINABLE PROGRESS POSSIBLE.

WHY GIRLS AND WOMEN?

Everyone has their part to play, but in today's socio-political landscape, leveling the playing field for girls and women has led to exponential returns.

GIRLS



An educated girl is more likely to choose when she will marry, allowing her opportunities she would not otherwise have.



An educated girl reinvests 90% of her income in her family versus a boy at 35%.



An extra year of school boosts a girl's eventual wages by 10%-25%.



A 10% increase of girls attending school increases GDP 3%.



Avoid contracting HIV/AIDS.



Engage in civic leadership.

WOMEN



Women entrepreneurs repay loans at almost 100%. Significantly higher than men, enabling their communities to benefit from better financial health.



An educated woman will educate her children equally, passing on opportunities not conventionally afforded to young girls, thereby creating the right environment for the next generation to start further ahead.

Source: World Bank, World Development Data & Research, 2012-2013

Caterpillar Foundation

MAKING SUSTAINABLE PROGRESS POSSIBLE.

HOW BIG IS THE OPPORTUNITY?



X 66 MILLION

Right now, 66 million school-age girls are not in school.



496 million girls over the age of 15 cannot read or write.



X 3 MILLION

There are 33 million fewer girls than boys in primary school worldwide.

WE'RE PARTNERING WITH THE BEST IN THE
BUSINESS TO GET THE JOB DONE RIGHT.



American
Red Cross



charity: water



OPPORTUNITY
International

Caterpillar Foundation

MAKING SUSTAINABLE PROGRESS POSSIBLE.



STAY CONNECTED TO OUR PROGRESS

For more information, to see our plans and to learn more about our partnerships, please visit:

caterpillarfoundation.org >

And Follow Us:



TRADEMARK

Information



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Forward-Looking Statements

Certain statements in this 2013 Year in Review relate to future events and expectations and are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "believe," "estimate," "will be," "will," "would," "expect," "anticipate," "plan," "project," "intend," "could," "should" or other similar words or expressions often identify forward-looking statements. All statements other than statements of historical fact are forward-looking statements, including, without limitation, statements regarding our outlook, projections, forecasts or trend descriptions. These statements do not guarantee future performance, and we do not undertake to update our forward-looking statements.

Caterpillar's actual results may differ materially from those described or implied in our forward-looking statements based on a number of factors, including, but not limited to: (i) global economic conditions and economic conditions in the industries we serve; (ii) government monetary or fiscal policies and infrastructure spending; (iii) commodity price changes, component price increases, fluctuations in demand for our products or significant shortages of component products; (iv) disruptions or volatility in global financial markets limiting our sources of liquidity or the liquidity of our customers, dealers and suppliers; (v) political and economic risks, commercial instability and events beyond our control in the countries in which we operate; (vi) failure to maintain our credit ratings could increase our cost of borrowing and adversely affect our cost of funds, liquidity, competitive position and access to capital markets; (vii) our Financial Products segment's risks associated with the financial services industry; (viii) changes in interest rates or market liquidity conditions could adversely affect Cat Financial's and our earnings and/or cash flow; (ix) an increase

in delinquencies, repossessions or net losses of Cat Financials customers could adversely affect its results; (x) new regulations or changes in financial services regulations; (xi) we may not realize all of the anticipated benefits of our acquisitions, joint ventures or divestitures, or these benefits may take longer to realize than expected; (xii) international trade policies may impact demand for our products and our competitive position; (xiii) our ability to develop, produce and market quality products that meet our customers' needs; (xiv) the highly competitive environment in which we operate could adversely affect our sales and pricing; (xv) we may not realize all of the anticipated benefits from a number of initiatives to increase our productivity, efficiency and cash flow and to reduce costs; (xvi) we could incur additional restructuring charges and may not realize anticipated savings or benefits from past or future cost-reduction actions; (xvii) inventory management decisions and sourcing practices of our dealers and our OEM customers; (xviii) compliance with environmental laws and regulation; (xix) alleged or actual violations of trade or anti-corruption laws and regulations; (xx) additional tax expense or exposure; (xxi) currency fluctuations; (xxii) our or Cat Financial's compliance with financial covenants; (xxiii) increased pension plan funding obligations; (xxiv) union disputes or other employee relations issues; (xxv) significant legal proceedings, claims, lawsuits or investigations; (xxvi) compliance requirements imposed if additional carbon emissions legislation and/or regulations are adopted; (xxvii) changes in accounting standards; (xxviii) failure or breach of IT security; (xxix) adverse effects of unexpected events including natural disasters; and (xxx) other factors described in more detail under "Item 1A. Risk Factors" in our Form 10-K filed with the SEC on February 18, 2014, for the year ended December 31, 2013.